

STUDIES IN RURAL FINANCE

AGRICULTURAL FINANCE PROGRAM



Department of Agricultural Economics and Rural Sociology

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AN ASSESSMENT OF RURAL FINANCIAL
MARKETS IN HONDURAS

VOLUME 1

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INTRODUCTION

Prior to any decision on funding a specific agricultural credit project, it is useful to undertake a broader assessment of rural financial markets in the country in question. It is of great value to learn the size of these markets and understand the ways in which they are functioning. It is important to know the degree to which the financial intermediation process is being supported, distorted or constrained by other policy measures and the way in which the financing of the credit project in question would be contributing to or detracting from effective rural financial intermediation and rural development.

In designing a general assessment of the current state and functioning of rural financial markets (RFMs) the following features of RFMs should be documented and analyzed:

1. The access to formal credit among the total farm population and, where possible, a disaggregation of this relative share by farm size and enterprise type. This would require a representative farm-household survey or, at least, a farm level credit survey in a reasonably representative rural region of the country that could serve this purpose;
2. The changing participation of various institutional sources of agricultural credit. Where possible, one should distinguish the predominant loan

and farm client characteristics of these separate institutional portfolios (e.g. term structure, loan size, enterprise types financed, typical range of farm size, etc.). Finally aggregate and crop-specific agricultural credit--agricultural output ratios should be estimated over time for the country to detect the changing pattern of credit use and possible credit diversion;

3. The farm-type incidence of informal credit activity and the way in which farmers blend their use of both informal and formal credit. A representative farm-household survey would be necessary to determine this activity.
4. The structure of nominal and real rates of interest in financial markets, the range of central bank interest rate, reserve requirement and selective credit allocation controls and the impact of this interest rate environment and financial sector credit regulation on the supply of credit and domestic savings mobilization;
5. The lending costs of the various institutional sources of rural finance. These lending costs should be disaggregated, where possible, into loan evaluation,

loan administration, loan recovery, and technical assistance and supervisory activities so as to determine their relative importance in total costs. These costs should be established on a per loan and per unit of currency basis over time and compared to the interest rate (on a per unit of currency basis) to determine the degree to which the established average interest rate is covering these costs.

At the same time the marginal costs of servicing selected borrowing classes should be determined to weigh against the presumed benefits of servicing those clientele;

6. The borrowing costs (above and beyond interest rate charges) facing borrowers in rural financial markets. Implicit or hidden costs invariably make up an important component of the total cost of borrowing by new borrowers or those negotiating small loans in formal credit markets. Out-of-pocket expenses for frequent trips to the bank, numerous fees and informational and documentation expenses along with work time lost in these proceedings should be documented. Selected farm-household surveys can effectively record these expenses by farm and loan size and enterprise type and offer valuable information on

the incidence of these expenses on borrowers associated with various loan programs;

7. Delinquency and default rates of institutional rural credit portfolios. These rates should be broken down by farm size, loan size, enterprise type, and term structure for recent credit behavior so as to determine the major characteristics of the most risk-prone clientele. This data should be collected and disseminated to relevant loan officers evaluating current loan applications and used to evaluate the operational performance of each credit program;
8. Pricing policies affecting product prices of the rural clientele of rural financial institutions and programs. This documentation permits insights into the degree of penalization of the rate of return to farming activities through such policies as retail food price controls, subsidized imports of foodstuffs, overvalued exchange rates on agricultural exports, commodity board monopoly purchases of farm gate output at prices well below prevailing world prices, etc. Such measures, in affecting the rate of return to farming, induce credit diversion to uncontrolled activities and compromise loan recovery in the portfolios of formal programs of agricultural finance;

9. Savings mobilization efforts. Past savings trends (especially the aggregate of individual savings accounts) should be documented by institutions. Policies affecting savings incentives should be identified such as the changing real rate of interest on savings deposits, withdrawal penalties and the reserve requirement on savings deposits.

Through documentation and analysis of the above information it would be possible to assess the performance of rural financial markets and institutions serving those markets. The distortions and inequities in these markets, the costs of financial intermediation, the implicit income transfers associated with these programs and the incentives for effective savings mobilization could be established. The role of any new credit project could then be placed in proper context as either contributing towards or detracting from effective rural financial intermediation in light of the specific interest rate and other controls, if any, associated with its implementation.

The following report does not presume to cover all of the above agenda. The limitations of time and data preclude this possibility. However the design of the research behind the collected works in this report reflect the objectives delineated above, namely a desire to document and identify the major elements affecting the performance of rural financial

market institutions and programs in Honduras. This requires both a macro and a microeconomic perspective, insights on experience at the farm-household level and at the institutional level and an understanding of not only the proper environment for the effective use and repayment of credit but also an appreciation for an important element of rural financial markets, namely, the savings mobilization side of rural finance.

Professor Claudio Gonzalez-Vega of the University of Costa Rica in the first four chapters of this report largely addresses the macroeconomic perspective of rural finance in the Honduran setting. He first offers an extensive review of the Honduran economy in the last two decades with an emphasis on the 1970's. Next he critically analyzes the performance of the financial sector in the same period. His third chapter documents the trends in the global supply of agricultural credit and evaluates the relative performance of the several institutional channels for rural credit. Finally he reviews the evolution of the portfolio of the Agricultural Development Bank (BANADESA) through time and its changing relative role in the rural credit scene.

Professor Robert Vogel of Syracuse University then presents material and discusses issues concerned with savings mobilization in the current Honduran financial setting. Following this Carlos Cuevas and Douglas Graham of Ohio State

University continue the discussion of the Agricultural Development Bank (BANADESA) in Chapter V, this time in the context of delinquency questions and lending costs. Chapter VI (co-authored by the same authors) describes the extensive farm household survey undertaken in August 1981 and presents detailed results and analysis of the borrowing (or transaction) costs of formal credit customers and their experience with informal credit activity.

In Chapter VII Professor Ronald Tinnermeier of Colorado State University then reviews credit supervision activities in Honduran rural credit institutions, their scope, form and efficiency. In Chapter VIII Jerry Ladman and Randy Stringer of Arizona State and Wisconsin Universities, respectively, present a detailed study of the role of credit in the recently formed agrarian reform asentamientos. They describe their own survey of the reform groups with a detailed questionnaire documenting, among other things, their experience with various sources of formal and informal credit. This survey was coordinated with that undertaken by Carlos Cuevas reported on in Chapter VI.

This report then closes out with two final chapters. In Chapter IX Douglas Southgate of Ohio State University documents and analyzes pricing policies and price incentives for Honduran crop agriculture up to mid 1981. Jeffrey Poyo of Syracuse University reports the results of a field study of rural credit unions in Honduras in Chapter X. Mr. Poyo

offers insights into the potential for these credit unions to both mobilize savings and service credit needs for small Honduran farmers. A final set of conclusions and recommendations for policy changes are presented in Chapter XI which in turn closes out with a detailed argument and set of measures created by Claudio Gonzalez-Vega indicating that (at the time of this writing--late 1981) a severe shortage of agriculture credit does in fact exist in Honduras.

I

AN ASSESSMENT OF FINANCIAL MARKETS
FOR AGRICULTURAL CREDIT IN HONDURAS.

Claudio Gonzalez-Vega

AN ASSESSMENT OF FINANCIAL MARKETS
FOR AGRICULTURAL CREDIT IN HONDURAS.

Claudio Gonzalez-Vega

I

THE HONDURAN ECONOMY

1.01 Honduras: a small and open agricultural economy.

Two of the main characteristics of the Honduran economy are: a) its small size, with the limitations imposed by a weak domestic market, on the one hand, and b) its high degree of openness, which is an inevitable consequence of the former feature, on the other hand.

In effect, Honduras is a small economy, with a population of only 3.8 million inhabitants, and with a per capita Gross National Product (GNP) of only US\$ 530, in 1979. Obviously,

the Honduran domestic market is very poor. With a narrow resource base and a weak domestic market, the country has correctly perceived that trade with other countries must act as the engine of economic growth and, as a result, during the past three decades, Honduras has consistently opted for a strategy of vigorous participation in international commerce.

Actually, during this century much of the impulse for growth has been provided by the export of agricultural commodities. The successive development of first bananas and coffee, and then lumber and meat exports, have yielded many of the dynamic benefits of specialization, raising the levels of domestic output and income, increasing the country's capacity to import, and providing the basis for some forward linkages to agricultural processing enterprises.

While raw and processed agricultural exports have represented about four-fifths of total exports, trade has also played an important role in the development of the country's industrial sector. In the early 1960's, Honduras joined the Central American Common Market and adopted the instruments of integration which, in essence, promoted a strategy of regional import substitution, behind protective tariff barriers. This strategy has been responsible for the nature and rate of growth of Honduras' industrial sector. After this country withdrew

from the Common Market, in 1970, its trade in manufactured goods continued to be regionally concentrated, under the auspices of the bilateral trade treaties signed with the other Central American countries and Panama.

Even within the framework of the Central American Common Market, however, Honduras remained strongly oriented towards agricultural exports. Some Hondurans actually perceived that their country was playing the role of supplier of agricultural products, particularly basic grains, to the other Central American countries, in exchange for the manufactured goods produced by other, more industrialized, partners in the integration process, behind the protective barriers of the Common Market. Correct or not, this perception was one of the arguments for withdrawal from the Common Market, at the end of 1970.

There can be little doubt that the future economic growth of Honduras, and with it the well being of the people, will depend upon the capacity to maintain a vigorous and competitive export thrust, in order to circumvent, through trade, the limitations imposed by the country's small size and narrow resource endowment. The exports of traditional commodities (bananas, coffee, lumber, and meat) will continue to play a crucial role in the development of the Honduran economy in the near future. These traditional products have constituted

over two-thirds of total export earnings during the 1970's, and have represented an important underpin of Honduras' aggregate economic activity.

International trade has increased the productivity of Honduras' domestic resources, but it also has accentuated the country's dependency. The traditional exports of Honduras, in particular, have been most affected by highly volatile price fluctuations in international markets and, for this reason, have imparted a certain degree of instability to the domestic economy. That is, the fluctuations in the rate of economic growth of Honduras during the past three decades have, in a large measure, been a reflection of commodity trade cycles.

Whilst diversification into different primary commodity exports (sugar, cotton, tobacco, shrimp and lobster, etc., as well as silver and other metals) has, to some extent, dampened the effects of sudden, sharp changes in one market, nevertheless the repercussions from single commodity price swings are still pervasively felt. The impact, during recent years, of declining coffee prices, on the level of economic activity, is a good example of this influence.

Exports of manufactured goods and of other non-traditional products, on the other hand, have occurred within the narrow geographical setting and behind the high protective barriers of Central American trade. However, even this Central American

market, tapped during the last two decades with relative success for the growth of the manufacturing sector, has now lost much of its dynamism. The first "easy" stages of import substitution have come to an end, the expansion of intra-regional trade has slowed significantly, and the demand impulse for the expansion of industry from regional sources has experienced considerable weakening. The inefficiencies and distortions brought about by the protectionist policies of import substitution are apparent in the structure of production, and continued adhesion to this path of development is likely not only to exact increasingly onerous costs on domestic consumers, but also to place the economy upon a declining growth path, with diminishing foreign exchange availability exercising a severe constraint to rapid development.

In addition, the evolution of the social and political events in the area, with unrest and violence in several countries, and the definition of new institutional regimes in others, will hardly contribute to the reactivation of the regional trade flows. Many Central Americans are increasingly recognizing these facts, and in various countries new efforts are being directed towards the promotion of exports, particularly of non-traditional commodities to third markets outside the region. Honduras will not escape to this tendency.

1.02 Strategies of development and planning in Honduras.

It has become generally accepted to divide the recent evolution of the Honduran economy into several periods, following a suggestion by the Planning Agency, CONSUPLANE.^{1/} These periods are:

- a) 1950-1960: the period of outward-looking, export-led growth;
- b) 1960-1972: the period of import-substitution industrialization;
- c) 1974-1978: the initiation of the "long term strategy"; first National Development Plan; and
- d) 1979-1983: the continuation of the "long term strategy"; second National Development Plan.

During the 1950-1960 period, the Honduran economy was mainly linked to investment, output, and exports of the banana enclave, as well as of a few other crops exported mainly to the United States. By the end of this decade, bananas still represented between 10 and 15 percent of Gross Domestic Product (GDP), and about 50 percent of the total value of exports. The foreign exchanged earned and taxes paid by these activities financed the capital and current expenditures of the public

^{1/} Pablo Ulises Gómez. "El modelo hondureño de desarrollo". III Congreso Nacional de Economistas. San Pedro Sula. October, 1980.

sector and much of the private economic activity.

During 1960-68 Honduras experienced high rates of growth, a consequence of the continued dynamism of exports and of expanding public investment, particularly in highways, ports, electricity and communications. Also, during this period Honduras joined the Central American Common Market, with its instruments of internal free trade, external common tariff barriers, and the special system of large "integration" industries. After joining, trade with the Central American countries, as well as the relative importance of the manufacturing sector, expanded rapidly. The crisis of the Central American Common Market, which started around 1969, as well as the war with El Salvador, brought this period to an end.

With this background, in 1973 CONSUPLANE defined a 15 year "long term strategy", directed towards the exploitation of the country's comparative advantages, as well as of the then very low level of foreign indebtedness. This strategy, still being pursued, is supposed to extend the enjoyment of the fruits of development to wider sectors of the Honduran society and, particularly, to improve the economic welfare of the marginal sectors, through higher incomes and better employment opportunities.

The strategy's basic concept is that the natural resources of the Nation must be employed for the benefit of the Honduran society, as a whole, through their direct exploitation and

through a wider access to the distribution of the surpluses generated. In addition, the public sector has been entrusted with an increasing role in the management and development of the economy. A particularly important element of the structural transformation sought is the agrarian reform effort, as a mechanism to increase permanent employment opportunities and incomes for the rural population, and to enlarge the domestic market, in order to provide an incentive to the domestic productive sectors.

The 1974-1978 National Development Plan postulated ambitious goals, including an average annual rate of growth of GDP, in real terms, of 7.2 percent, in an attempt to double the annual rate of growth of income per capita. This target, in turn, implied average annual rates of growth, in real terms, of 8.1 percent for the agricultural sector (crops and livestock), 6.8 percent for forestry, 10.0 percent for fishing, and 10.1 percent for the industrial sector.

One of the goals of the Plan was to reach self-sufficiency in agricultural goods, except in the case of wheat. In order to achieve this, the area cultivated was to be expanded by 428 thousand additional hectares, while the process of agrarian reform was to be intensified.

Forestry was supposed to supply the raw materials for the development of the industrial sector. For this purpose, 16 projects were designed, for a total investment of 9 million

Lempiras. ^{1/} These projects were to generate surpluses for 162 million Lempiras, to be transferred to the public sector for the financing of the agrarian reform and housing programs, and for investment in industrial projects. A public agency, COHDEFOR, was entrusted with the control of the country's forests.

In the case of the industrial sector, the Plan contemplated 104 small and medium-size projects, for a total investment of 61.8 million Lempiras. Six large scale projects, including steel, glass, cement, and pulp and paper, would be started towards the end of the planning period. The public sector was made responsible for the sponsorship and/or undertaking of these projects, and to facilitate their financing, a new agency, CONADI, was created.

Gross domestic investment was projected to grow, in real terms, at an average annual rate of 11.7 percent. Due to this projected growth, the ratio of gross domestic investment to GDP was to increase from the historical value of 16.2 percent, observed during the previous decade, to 22.2 percent. This implied an average rate of growth of public sector investment of 14.2 percent per annum, while private sector investment was supposed to grow at an average rate of 10.5 percent per annum. That is, it was expected that 33.6 percent of total investment would be undertaken by the public sector. In addition, it was

^{1/} A constant rate of exchange of two Lempiras per US dollar prevailed during the whole period examined in this study.

expected that 25.8 percent of total investment would be financed with foreign resources. Finally, 68.6 percent of this investment was to be directed towards the agricultural and industrial sectors. All of these projected rates of growth were well above their historical values.

On the other hand, exports were assigned a crucial role in making the achievement of the Plan targets possible. While exports were projected to grow at an average annual rate of 11.0 percent, imports were projected to grow 9.0 percent per annum. Obviously, this rates of growth of trade were expected to increase the degree of openness of the economy. Moreover, it was expected that growing exports of industrial goods would be added to those of traditional commodities. Finally, domestic prices were supposed to increase, at a maximum, 4.8 percent per annum.

A series of exogenous events made the targets of the 1974-1978 National Development Plan impossible to reach. Among the circumstances that affected the Honduran economy during this period were:

- a) Hurricane Fifi, the worst in the country's history, which in September of 1974 caused damages amounting over 1,000 million Lempiras. A significant portion of the resources considered by the Plan were devoted to the reconstruction. For example, before the hurricane, there were 21,530 hectares under banana cultivation, but this was reduced to 14,570 hectares by the

hurricane. As a consequence of the recovery, however, the country's economic growth quickened.

- b) The significant and unexpected increases in oil prices, which substantially augmented the value of the country's imports, and thus contributed to the enlarging current account deficit. At the same time, these increases in oil prices contributed to the deterioration of Honduras' international terms of trade, despite some favorable increases in some of the prices of the country's exports (e.g. coffee, sugar, etc.) As a result, while in 1973 it took three pounds of coffee or 57 pounds of bananas to purchase one barrel of petroleum, in 1980 it took 35 pounds of coffee or 294 pounds of bananas to buy the same barrel.
- c) International inflation and the instability of the international monetary system, including high interest rates in international capital markets, which restricted the country's access to foreign savings.
- d) The sharp deterioration of the Central American political situation. Insurrection and violence in neighboring countries have weakened investors' confidence and have eventually led to significant capital outflows.

The 1979-1983 (second) National Development Plan attempts to continue with the implementation of the "long term" strategy adopted in 1973. This Plan actually includes several projects programmed for the previous period, which could not be carried out, such as the cement plant, as well as significant investments in infrastructure, including transportation, communications, and alternate sources of energy, as well as education, health care and agrarian reform.

At the heart of the Plan are the El Cajon hydroelectric project and the Olancho Paper and Pulp complex. Financing for El Cajon, which will cost more than US\$ 600 million, was obtained at very concessionary terms, from a broad spectrum of multilateral and bilateral lenders, led by the World Bank and the Inter-American Development Bank. The venture consists of the construction of a 270 megawatt dam, that should furnish all of Honduras' electricity needs into the 1990's, eliminating dependence on fossil fuels. The US\$ 200 million Olancho Paper and Pulp complex, on the other hand, is developing an untapped 6,000 square mile forest reserve, and should give export earnings a substantial boost by the mid- 1980's.

1.03 Output growth and structural transformation.

Two different sets of national income accounts are used in this study. The Central Bank's publication, Cuentas Nacionales de Honduras, 1960-1975, is used for the 1960-1970 decade.

Unpublished figures, revised by the Economic Studies Department of the Central Bank, are used for the 1970-1980 decade.

Table 1. Honduras: Average annual rates of growth, in real terms, of Gross Domestic Product, at market prices, and of Gross National Product. 1960-1980. (Percentages).

	<u>GDP</u>	<u>GNP</u>
1960-1970	4.84	4.37
1970-1980	4.33	4.10
1960-1965	5.45	4.24
1965-1970	4.23	4.51
1970-1975	2.04	2.33
1975-1980	6.67	6.00
1976	8.42	6.69
1977	8.72	8.30
1978	7.03	6.40
1979	6.73	6.18
1980	2.54	2.51

Economic growth was slightly less accelerated during the 1970's than during the 1960's. In effect, while between 1960 and 1970, in real terms, the average rate of growth of GDP, at market prices, was 4.8 percent per annum, between 1970 and 1980, it was 4.3 percent per annum.

Growth, however, has not been even. Between 1960 and 1968, GDP grew vigorously, at an average annual rate of 5.6 percent. (Annual rates of growth ranged between 2.8 percent, for 1961, and 10.3 percent, for 1965). Due to the war with El

Salvador, withdrawal from the Central American Common Market, and adverse weather conditions, GDP completely stagnated in 1969 and grew very slowly in the early 1970's. The average annual rate of growth of GDP, in real terms, was 4.3 percent for 1969-1973.

Table 2. Honduras: Average annual rates of growth, in real terms, of some components of aggregate demand and supply. 1960-1980. (Percentages).

	<u>1960-65</u>	<u>1965-70</u>	<u>1970-75</u>	<u>1975-80</u>
Private consumption	4.93	3.84	2.40	5.72
Government consumption	3.60	5.77	4.35	9.66
Gross capital formation:				
Private	8.37	11.54	6.82	9.56
Public	9.82	6.29	7.26	8.20
Exports	2.71	28.47	5.84	12.45
Imports	11.41	6.34	- 0.26	9.30
GDP	10.32	10.11	1.16	12.82
	5.45	4.23	2.04	6.67

Hurricane Fifi and a drought caused a declining GDP both in 1974 and 1975. With the recovery, Honduras experienced a significant surge in real economic growth. For 1975-1979, the average rate of growth of GDP was 7.7 percent per annum, in real terms. During 1980, however, the country experienced a sharp downturn of this growth tendency and GDP increased only 2.5 percent.

Table 1 presents the average annual rates of growth, in real terms, of GDP and, after adding net factor payments from the rest of the world, of GNP, for 1960 through 1980. In the long run, the rates of growth of GNP have shown slightly less variability than the rates of growth of GDP.

Table 2, in turn, present the average annual rates of growth, in real terms, of various components of aggregate demand and supply. Notice that the two sub-periods of more rapid economic growth, the first half of the 1960's and the second half of the 1970's, can be readily associated with periods of rapid export growth. On the other hand, private capital formation has shown much less instability than public investment, while government consumption has increased very rapidly during the last five years.

Finally, Table 3 presents the average annual rates of growth, in real terms, of GDP by sector of activity. The agricultural output grew rapidly during the 1960's, at an average annual rate of 5.3 percent for the whole decade. This average growth was faster than the growth of total GDP, at factor costs, which averaged 4.9 percent per annum for the decade.

Within the decade of the 1960's, however, the agricultural output increased vigorously only until 1968, reaching its maximum annual rate of growth, of 15.7 percent, in 1965.

Table 3. Honduras: Average annual rates of growth, in real terms, of Gross Domestic Product, at factor costs, by sector of activity. 1960-1980. (Percentages).

	<u>1960-65</u>	<u>1965-70</u>	<u>1970-75</u>	<u>1975-80</u>
Agriculture, forestry and fishing	7.74	1.13	- 1.37	5.37
Mining	7.21	6.47	4.88	- 1.89
Industry	6.35	6.17	2.78	8.78
Construction	3.04	9.06	3.40	4.88
Electricity and water	9.96	7.63	5.51	5.29
Transportation, storage and communications	2.71	2.42	5.86	6.22
Banking, insurance and real estate	5.92	5.15	8.92	7.49
Commerce, wholesale and retail	5.75	2.67	- 0.80	6.46
Private housing	4.48	3.76	4.81	4.52
Public administration and defense	0.66	1.75	3.13	8.59
Services	3.43	0.34	4.78	3.24
GDP at factor costs	5.65	4.06	1.97	5.81

During 1969 and 1970, however, due to unfavorable weather conditions and the war with El Salvador, agricultural output actually declined.

In contrast with the 1960's, during the 1970's the growth of the agricultural sector was relatively slow, reaching an average annual rate of growth, in real terms, of 1.9 percent,

which is significantly lower than the rate of growth of the total GDP, at factor costs, of 3.9 percent per annum for the decade. This slower growth reflects the consequences of the extensive destruction, particularly of the banana plantations, caused by hurricane Fifi in 1974. Lack of growth, however, has also taken place, in recent years, with respect to the domestic market-oriented crops of corn and beans. Actually, in the most recent years, corn, rice and milk have been imported, in sharp contrast with the 1960's and early 1970's, when exportable surpluses of corn and beans were produced.

Between 1970 and 1973, agricultural output grew at an average annual rate, in real terms, of 4.5 percent. Hurricane Fifi led to a decline of 9.7 percent in the output of 1974, in relation to the previous year, and, with the effects of a drought, caused a further drop of 9.3 percent in 1975. As a result, in 1975 the agricultural output was at 378 million of constant Lempiras of 1966, down from the 462 million level, corresponding to 1973, and comparable only to the 380 million already reached a decade earlier, in 1966. It was not until 1978, when the agricultural output amounted to 469 million of constant Lempiras of 1966, that the 1973 level of real output was regained.

Honduras is the fourth largest banana exporting country in the world, contributing 10 percent of the international trade of this product, although in the past (1971) it had

Table 4. Honduras: Ratios of several components of aggregate demand and supply to Gross Domestic Product, from nominal values and from values in real terms, at constant 1966 prices.. 1960-1980. (Percentages).

	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>
<u>Ratios to GDP, in nominal terms:</u>					
Private consumption	77.1	74.1	74.2	78.4	67.0
Government consumption	10.9	10.0	11.5	12.6	13.4
Gross domestic capital formation:	12.4	13.0	18.5	21.9	25.6
Private	9.6	10.6	12.0	15.0	16.7
Public	2.8	2.4	6.5	6.9	8.9
Exports	21.6	27.8	27.3	30.7	35.8
Imports	23.2	26.5	33.9	40.2	44.4
Trade deficit	1.6	(1.3)	4.5	9.5	8.7
<u>Ratios to GDP, in real terms:</u>					
Private consumption	77.5	75.6	74.8	76.1	72.8
Government consumption	11.0	10.1	12.1	13.6	15.6
Gross domestic capital formation:	11.7	13.4	15.9	20.0	22.9
Private	9.1	11.1	10.8	13.9	15.0
Public	2.6	2.3	5.1	6.1	7.9
Exports	20.3	26.8	29.6	26.4	29.9
Imports	22.0	27.5	34.5	33.0	43.7
Trade deficit	1.6	0.8	4.9	6.6	13.8

accounted for up to 16 percent of the world market. Before the hurricane, bananas contributed over 50 percent of the country's total export earnings. The storm damage severely cut the contributions of the banana sector to the Honduran economy. The country, however, has made serious attempts to restore its productive capacity and, as a result, this sector has grown rapidly. By the end of the decade, exported volumes were very close to the pre-hurricane peak level and prices were twice as high.

In addition, coffee production recorded a 50 percent increase in the late 1970's, in response to higher coffee prices, which doubled in 1976 and again in 1977, and which thereafter have remained above the 1976 level. Therefore, as a consequence of the recovery of banana exports and of the coffee boom, the agricultural sector grew at an average annual rate, in real terms, of 7.5 percent, between 1975 and 1979. During 1980, however, agricultural output declined by 2.8 percent, in comparison to the previous year. Production levels of the four leading commodities, accounting for 63 percent of export value, i.e., bananas, coffee, meat and lumber, declined, while production of the basic staples of the Honduran diet, i.e., corn, beans and rice, fell short of demand, requiring imports to close the gap.

Table 5. Honduras: Structural composition of Gross Domestic Product, by sector of activity. 1960-1980. (Percentages).

	<u>1960</u>	<u>1970</u>	<u>1980</u>
<u>Values in nominal terms:</u>			
Agriculture, forestry and fishing	34.4	32.5	30.8
Mining	1.6	2.3	1.8
Industry	12.3	13.8	17.3
Construction	3.9	4.8	4.9
Electricity and water	0.7	1.4	1.6
Transportation, storage and communications	6.8	7.8	8.6
Commerce, wholesale and retail	13.2	13.1	13.0
Banking, insurance and real estate	1.6	3.1	4.2
Private housing	8.4	7.2	5.3
Public administration and defense	3.9	3.4	3.5
Services	13.2	10.6	8.9
GDP at factor costs	100.0	100.0	100.0
<u>Values in real terms:</u>			
Agriculture, forestry and fishing	33.3	33.9	28.2
Mining	1.7	2.2	1.7
Industry	12.0	14.2	17.0
Construction	4.3	3.7	3.8
Electricity and water	0.7	1.1	1.3
Transportation, storage and communications	7.8	7.9	9.7
Commerce, wholesale and retail	13.0	12.3	11.5
Banking, insurance and real estate	2.1	2.5	3.8
Private housing	7.4	6.9	7.5
Public administration and defense	4.2	3.5	4.2
Services	13.6	11.1	11.3

While, on the average, between 1960 and 1965, the industrial sector grew more slowly than the agricultural sector, during the second half of this decade the industrial sector grew much faster and, as a result, its average rate of growth of 7.1 percent per annum, for the whole decade, was higher than the rate corresponding to the agricultural sector. Actually, industry was the most dynamic sector of the Honduran economy during the late 1960's, to a large extent as a result of the expansion of trade within the Central American Common Market.

During the first half of the decade of the 1970's, the industrial sector slowed down, due to the generally recessionary conditions of the Honduran economy, but it still increased more rapidly than total GDP. The rate of growth of this sector accelerated in the second half of the decade, reaching an annual average of 5.7 percent, in real terms, for the whole decade.

A certain degree of structural transformation has been the consequence of these different rates of growth of the various sectors of activity, as shown in Table 5. In particular, the relative importance of the agricultural sector, when measured in nominal terms, declined from 34.4 percent of GDP, at factor costs, for 1960, to 30.8 percent, for 1980. In real terms, on the other hand, the relative importance of the agricultural sector declined from 33.3 percent of GDP, for

1960, to 28.2 percent, for 1980. The Honduran economy, therefore, continues to be predominantly agricultural, while there has been much less structural transformation than in the other Central American countries. In the case of Costa Rica, for example, the relative importance of the agricultural sector declined from 26.0 percent, in 1960, to 18.8 percent in 1979.

The differences between the two sets of figures presented in Table 5 (nominal and real) are due to changes in the domestic terms of trade among sectors of activity. In particular, between 1960 and 1970 the relative importance of the agricultural sector, in real terms, did not change, but both the international terms of trade as well as the domestic terms of trade were turned against this sector, as a consequence of the protectionist strategy of import substitution, in the latter case. As a consequence, the relative importance of the agricultural sector, in nominal terms, declined. Due to substantial increases in the international prices of some export crops, on the other hand, the terms of trade of this sector improved in the second half of the 1970's, so that the decline in relative importance of this sector was greater in real than in nominal terms.

Manufacturing industry, on the other hand, is the sector with the most impressive gains in relative importance,

particularly in the second half of the 1970's, when it reached 17 percent of GDP. This has reflected, in part, the impact of CONADI and the substantial financing that has been channelled to the sector through this agency, as well as of other large investment projects.

Table 4, in turn, presents the relative importance of the various components of aggregate supply and demand, with respect to GDP. The relative importance of private consumption has declined, more in nominal than in real terms, while the relative importance of government consumption has increased, more in real than in nominal terms. Measured in real terms, private and public consumption represented 88.4 percent of GDP in 1980, while gross domestic capital formation represented 22.9 percent in the same year, up from 11.7 percent corresponding to 1960. The relative importance of gross domestic investment, however, increased more rapidly in nominal terms than in real terms, possibly due to the deterioration of the country's terms of trade. Obviously, all of these differences between nominal and real term trends are due to changes in relative prices.

Finally, the degree of openness of the economy has increased significantly. In real terms, the relative importance of exports has augmented from 20.3 percent, for 1960, to 29.9 percent, for 1980, while the relative importance of imports has increased from 22.0 percent, for 1960, to 43.7

percent in 1980. The combined consequence of rapidly rising trade flows, at higher rates than the growth of output, and of the more rapid increases in imports than in exports, has been a rapidly expanding trade deficit. In 1960 this deficit, in real terms, represented only 1.6 percent of GDP. By 1970 the trade deficit already represented, in real terms, 4.9 percent of GDP and its relative importance had augmented to 13.8 percent of GDP by 1980. The rapid increase in the relative importance of the trade deficit, during recent years, has generated a balance of payments problem for Honduras which, combined with additional problems on the capital account, is exerting pressure on the rate of exchange of the Lempira, which has remained fixed, at two Lempiras per US dollar, since 1931.

1.04 Trade and balance of payments.

The high degree of openness of the Honduran economy implies that international flows of goods and services, factor payments, capital and assets, have a significant impact, not only on the rate of growth of output and on the levels of economic activity and of employment, but also on monetary and price stability.

As most other young developing countries, the Honduran economy has experienced a trade deficit every year during the decade of the 1970's. In effect, the country started the

Table 6. Honduras: Balance of payments. 1970-1980. (Millions of Lempiras).

	<u>1970</u>	<u>1975</u>	<u>1980</u>
Trade balance	- <u>134.7</u>	- <u>259.6</u>	- <u>691.0</u>
Exports:	<u>408.3</u>	<u>701.7</u>	<u>1,908.8</u>
Goods	366.9	619.3	1,669.1
Services	41.4	82.4	239.7
Imports:	<u>543.0</u>	<u>961.3</u>	<u>2,599.8</u>
Goods	406.8	744.7	1,911.8
Services	136.2	216.6	688.0
Transfers	<u>13.1</u>	<u>35.4</u>	<u>43.0</u>
Capital account	<u>97.8</u>	<u>257.7</u>	<u>534.5</u>
Long term capital:	<u>88.0</u>	<u>259.5</u>	<u>512.6</u>
Private	25.2	50.5	188.8
Public	56.0	112.4	265.6
Banking system	6.8	2.4	19.4
Compensatory	-	94.2	38.8
Short term capital	<u>9.8</u>	- <u>1.8</u>	<u>21.9</u>
Errors and omissions	- <u>4.2</u>	<u>0.3</u>	- <u>8.6</u>
Change in international reserves (- increase)	<u>28.0</u>	- <u>33.8</u>	<u>122.1</u>

the decade with a relatively high trade deficit, of 134.7 million Lempiras, but this deficit had been quickly reduced to 38.3 million Lempiras by 1972. As a consequence of hurricane Fifi, this deficit jumped to 273.0 million Lempiras in 1974, increasing by 225.8 percent over the previous year, and remaining at a high level every year thereafter. By 1979 the trade deficit

had already increased to 433.9 million Lempiras and, by 1980, it amounted to 691.0 million Lempiras, implying a growth of 62.6 percent over the previous year. The average rate of growth of the trade deficit, for the whole decade, had been of 17.8 percent per annum.

Between 1970 and 1980, the value of the exports of goods and services increased at an average annual rate of 16.7 percent, while the value of the imports of goods and services increased at an average annual rate of 17.0 percent. The growth of trade, however, has been more accelerated during the second half of the decade. In effect, excluding the critical years of 1974 and 1975, the value of exports augmented at an average rate of 7.8 percent per annum between 1970 and 1973, while this value increased at an average rate of 22.4 percent per annum, between 1976 and 1979. During 1980, however, the value of exports increased only 11.1 percent over the previous year. The same behavior is true of imports. During 1970-1973, their value increased at an average rate of 7.7 percent per annum, while between 1976 and 1979, it increased at an average rate of 22.6 percent per annum. Imports, however, continue to increase rapidly during 1980, at a rate of 21.3 percent over the previous year.

The rapid growth of exports during the second half of the decade reflected the growth of agricultural exports resulting from high commodity prices and expanded production. This

export growth represented the most dynamic factor spurring the favorable economic growth rate obtained in this period. Bananas, benefiting from higher yields and better prices, returned to their traditional position as leading export, narrowly edging out coffee, in 1979. Refrigerated meat also registered significant increases, adding to the coffee boom experienced during this period. Metals, particularly silver, lead and zinc, also increased significantly, taking advantage of high prices.

Petroleum imports registered dramatic increases during the second half of the decade, augmenting from 152 million Lempiras in 1978, to 224 million Lempiras in 1979, and to 342 million in 1980. That is, during this last year, petroleum imports represented more than half of the country's trade deficit. By 1979 petroleum products already accounted for 15 percent of the value of all imports.

Honduras' capital account showed an average rate of growth of 18.5 percent per annum during the 1970's. While long term capital increased at an average annual rate of 19.3 percent, short term capital increased at an average rate of 13.1 percent per annum. The average annual rate of growth of private long term capital was 22.3 percent, while it was 16.8 percent in the case of long term capital for the public sector.

Table 7. Honduras: Long term capital. Relative importance of the private and public sector. 1970-1980. (Percentages).

	<u>Private sector</u>	<u>Public sector</u>	<u>Banking system</u>	<u>Compensatory financing</u>
1970	28.6	63.6	7.7	-
1971	30.8	50.3	18.9	-
1972	26.5	34.4	39.1	-
1973	43.0	22.7	34.3	-
1974	31.5	40.9	3.0	24.7
1975	19.5	43.3	0.9	36.3
1976	21.4	69.3	3.0	6.3
1977	26.1	60.5	10.4	3.1
1978	25.1	71.2	3.7	-
1979	32.4	56.3	- 4.0	15.4
1980	36.8	51.8	3.8	7.6

The capital account showed a declining trend in the early 1970's. However, net capital inflows increased by 190.0 percent in 1974, over the previous year, as international resources were mobilized, after hurricane Fifi, to help in the reconstruction. Another pronounced increase took place in 1980, when the capital account jumped by 37.9 percent over the previous year, to reach 534.5 million Lempiras. This large capital inflow, however, was insufficient to cover the huge increase in the current account deficit and Honduras lost a significant amount of international monetary reserves.

Over 90 percent of the capital account have been long term flows. At the beginning of the decade 63.6 percent of these long term capital corresponded to the public sector,

Table 8. Honduras: Losses of international reserves and compensatory financing. 1974-1980. (Millions of Lempiras).

	<u>Changes in reserves</u>	<u>Compensatory financing</u>	<u>Implied superavit</u>
1974	3.7	40.1	- 36.4
1975	33.8	94.2	- 60.4
1976	45.9	13.0	32.9
1977	78.8	8.8	70.0
1978	44.3	0.1	44.2
1979	- 33.9	56.7	- 90.6
1980	- 122.1	38.8	- 160.9

while 28.6 percent corresponded to the private sector and 7.7 percent corresponded to the banking system. In the early 1970's, however, the relative importance of private long term capital increased, as shown in Table 8. At the same time, the relative importance of long term capital for the banking system, including allocations of Special Drawing Rights, also increased. As a result, in 1973 public long term capital represented only 22.7 percent of the total.

This trend was reversed by the events of 1974, particularly hurricane Fifi, but also international inflation and oil price increases. In that year, the public sector received 40.9 percent of long term capital flows, while compensatory financing represented 24.7 percent. The latter was required to maintain balance of payments equilibrium and avoid depreciation of the Lempira.

Public long term capital and compensatory financing represented almost 80 percent of long term capital flows in 1975, but the relative importance of long term private capital increased again towards the end of the decade, to represent 36.8 percent in 1980. In this year, however, private short term capital inflows declined from 50.2 million Lempiras, corresponding to 1979, to 24.3 million Lempiras.

Officially, during the decade of the 1970's, Honduras lost international monetary reserves only during 1970, 1979 and 1980. The Central Bank, however, treats compensatory financing from the International Monetary Fund, the Central American Monetary Stabilization Fund and the Venezuelan Investment Fund as regular capital inflows. That is, these flows are presented in the balance of payments as a "credit" transaction, before the loss of international monetary reserves is computed. For the purposes of estimating the actual balance of payments deficit or superavit, however, this compensatory financing should be treated as a way of financing a deficit. In Table 8 this compensatory flows are added to the changes in foreign exchange reserves, to identify the implied superavit or deficit. It is clear from this Table that, in addition to the three years mentioned, Honduras also had a balance of payments deficit in 1974 and 1975, despite the massive "autonomous" capital inflows that took place during those two years. That

Table 9. Honduras: Fiscal accounts of the Central Government and of the Public Sector. (Millions of Lempiras).

	<u>1972</u>	<u>1976</u>	<u>1980</u>
<u>Public sector:</u>			
Current revenues:	<u>267.1</u>	<u>545.9</u>	<u>1,163.7</u>
Tax revenues	178.7	324.2	723.3
Non-tax revenues	88.4	221.7	490.5
Capital revenues	-	-	9.4
Total revenues	<u>267.1</u>	<u>545.9</u>	<u>1,173.1</u>
Current expenditures	253.9	448.7	908.5
Capital expenditures	76.4	194.8	686.3
Net loans granted	-	27.0	72.2
Total expenditures	<u>330.3</u>	<u>706.9</u>	<u>1,667.0</u>
Current savings	13.2	97.2	255.2
Overall deficit	<u>63.2</u>	<u>161.0</u>	<u>493.9</u>
<u>Central Government:</u>			
Current revenues	<u>201.9</u>	<u>356.1</u>	<u>756.7</u>
Current expenditures	194.7	326.7	591.8
Capital expenditures	50.6	156.0	420.5
Net loans granted	-	-	117.4
Total expenditures	<u>245.3</u>	<u>482.7</u>	<u>1,129.7</u>
Current savings	7.2	24.9	164.9
Deficit	<u>43.4</u>	<u>126.6</u>	<u>373.0</u>

is, compensatory financing was used to build up the country's foreign exchange reserves, despite the deficit. Moreover, this analysis implies that during the two most recent years,

1979 and 1980, Honduras has had a serious balance of payments problem and that, in 1980, the actual magnitude of the deficit reached at least 160.9 million Lempiras. In addition, there has been a significant capital flight, partially captured by the item "errors and omissions", which in 1979 represented 37.5 million Lempiras and in 1980 amounted to 8.6 million Lempiras.

1.05 The recent macroeconomic performance.

A substantial deterioration in Honduras' economic situation has taken place since 1979. The balance of payments deficit has augmented rapidly, the government's fiscal accounts have worsened significantly, and inflation has accelerated. In addition, 1980 saw a sharp downturn in the sustained surge in real economic growth that the country had experienced during the previous four years, as GDP, in real terms, increased by only 2.5 percent, over the 1979 level, while population continued to grow at a rate of 3.6 percent per annum. All sectors of economic activity grew at much lower rates than in the immediate past, while agriculture and construction actually declined, by 2.8 and 2.9 percent, respectively, with respect to the previous year.

In addition to stagnation, Honduras is experiencing important internal and external financial disequilibria. The

sharp deterioration of the country's balance of payments and the loss of international monetary reserves during the two most recent years was already described in the previous section. Due to the high degree of openness of the Honduran economy, these external financial problems have a significant impact on the domestic macroeconomic situation.

The overall deficit of the public sector, on the other hand, increased during 1980 by 95.6 percent, to reach 493.9 million Lempiras. While 58.0 percent of this deficit was financed with external resources, increasing Honduras' public foreign debt, the remaining 42.0 percent was financed with domestic bank credit, contributing to the domestic inflationary pressures.

Between 1972 and 1980, the current revenues of the public sector increased at an average rate of 20.2 percent per annum, in nominal terms. At the same time, however, the current expenditures of the sector increased at an average rate of 17.3 percent per annum, thus allowing current savings of the public sector to increase at an average annual rate of 44.8 percent, to reach the level of 255.2 million Lempiras in 1980. These current savings have been employed to finance partially the rapidly augmenting capital expenditures of the sector. During the 1972-1980 period, these capital expenditures increased at an average annual rate of 31.6 percent. Therefore, while

the total revenues of the public sector (on current and on capital account) increased, between 1972 and 1980, at an average rate of 20.3 percent per annum, total expenditures (current and capital), increased at an average rate of 22.4 percent per annum. As a result, the overall deficit increased at an average annual rate of 29.3 percent. That is, it was almost 8 times larger in 1980 than in 1972, as shown in Table 9.

Due to the more rapid growth of the capital expenditures, their relative importance increased, from 23.1 percent, in 1972, to 41.2 percent, in 1980, with respect to the total expenditures of the public sector. In addition, during the most recent years, current expenditures have grown rapidly due to several factors, including:

- a) Demands by well organized groups, often supported by strikes, for substantial wage increases. These include nurses, doctors, banana workers and others. The year-end bonus granted to all public employees has also been increased. It has been very difficult for the government to resist such demands in an election period.
- b) Failure to adjust the rates charged for services by the autonomous public institutions, to keep up with inflation. The government has covered the losses incurred, while in other cases, such as the public transport companies, it has granted subsidies, in

an effort to compensate for higher fuel costs.

- c) The substantial increase of the capital budget has called for corresponding increases in current expenditures.

Because public sector revenues have grown less rapidly than total expenditures, these revenues have been less sufficient each year to cover expenditures. That is, while in 1972 revenues financed 80.8 percent of total expenditures, they were able to finance only 70.4 percent of these expenditures in 1980.

A similar evolution has been experienced by the Central Government's fiscal accounts. While current revenues increased at an average annual rate of 18.0 percent, between 1972 and 1980, during the same period current expenditures increased at an average rate of 14.9 percent per annum. This made possible for current savings to grow, during this period, at an average rate of 47.9 percent per annum and to contribute to the financing of capital expenditures. Since capital expenditures grew at an average annual rate of 30.3 percent, the Central Government's deficit increased, between 1972 and 1980, at an average rate of 30.9 percent per annum. During 1980, moreover, this deficit grew 80.5 percent over the previous year.

An important portion of the deficit of the Central Government during the last year is due to loans granted to autonomous public institutions, which in 1980 grew at the disturbing rate of 756.9 percent over the previous year, to reach the level of 117.4 million Lempiras.

In view of this fiscal situation, there has been for some time now the intention to undertake a significant tax reform in Honduras. There is much controversy, however, about the nature of the tax package to be adopted. Recent attempts to raise tariff rates across the board have encountered significant opposition, both at home, and among the other Central American countries.

The substantial increase in the budgetary deficit of the public sector that has taken place during the two most recent years has also led to a significant increase in the key portion of the deficit that is domestically financed by the banking system. As a result, the portion of total domestic credit going to the public sector has increased, and the private sectors have been crowded out in the competition for scarce financial resources. This liquidity crunch has been most severely felt, because the amounts of credit for the private sector have failed to keep up with the rate of inflation and their real value has declined.

Table 10. Honduras: Average annual rates of growth, in real terms, of domestic credit of the Honduran banking system outstanding at the end of each year, by sectors. 1970-1980. (Percentages).

	<u>1970-1975</u>	<u>1975-1980</u>	<u>1970-1980</u>
Domestic credit of the banking system:	6.64	8.02	7.33
Public sector:	11.97	16.27	14.10
Central Government	10.66	15.18	12.90
Rest of public sector	18.07	20.12	19.09
Private sector	7.80	6.25	7.02
Loans and discounts for the private sector	7.66	4.81	6.23

The more limited availability of loanable funds has been explained, in part, by the eroding impact of inflation, but it has been attributed also to the poor performance of exports, the much larger increase in the value of imports, and capital flight. At the same time, Honduras has found itself cut off from its traditional sources of foreign commercial bank credit, due to the reluctance of international banks to increase their exposure in Central America at this time. The failure of Banco Financiera Hondureña has also reduced the willingness of foreign banks to expand credit in Honduras, given tight money conditions worldwide. An important proportion of the

Table 11. Honduras: Average annual rates of growth, in real terms, of domestic credit of the Central Bank, outstanding at the end of each year, by sectors. 1970-1980. (Percentages).

	<u>1970-1975</u>	<u>1975-1980</u>	<u>1970-1980</u>
Domestic credit of the Central Bank:	12.75	11.78	12.27
Public sector:	7.90	18.48	13.07
Central Government	4.89	17.68	11.10
Local governments	27.87	19.96	23.85
Autonomous institutions	8.46	20.42	14.28
Banking system:	17.80	5.03	11.23
Commercial banks	19.20	5.79	12.29
Development banks	22.00	1.99	11.55
Savings banks	- 37.50	66.48	2.00

country's harvests has been traditionally financed by foreign banks, but apparently this did not materialize in 1980.

The domestic credit of the banking system, outstanding at the end of each year, grew at an average rate of 7.3 percent per year between 1970 and 1980, when these balances are measured in constant 1966 Lempiras. This rate of growth was significantly higher than the rate of 4.3 percent per year averaged by real GDP during the same period. Moreover, the average real rate of growth of domestic credit of the banking system was higher in the second part of the decade than in the first, as shown in Table 10.

Table 12. Honduras: Proportions of the domestic credit of the banking system, outstanding at the end of each year, received by each sector. 1970-1980. (Percentages).

	<u>Public sector</u>	<u>Central Government</u>	<u>Rest of the public sector</u>	<u>Private sector</u>
1969	15.2	13.1	2.1	84.7
1970	17.1	14.4	2.7	82.8
1971	20.1	16.9	3.2	79.9
1972	23.0	19.5	3.5	76.9
1973	20.4	16.7	3.6	79.5
1974	21.8	17.5	4.2	78.1
1975	19.9	15.8	4.1	80.0
1976	19.7	16.2	3.4	80.2
1977	19.2	14.5	4.7	80.7
1978	22.0	17.2	4.8	77.9
1979	25.2	17.7	7.5	74.7
1980	28.1	21.3	6.8	71.8

The shares of the domestic credit of the banking system received by the public and private sectors, however, grew at very different rates. While the domestic credit received by the private sector increased at an average annual rate of 7.0 percent during the decade, the domestic credit received by the public sector increased at an average rate of 14.1 percent per annum; that is, twice as rapidly. As a result, the share of the public sector increased from 15.2 percent of total domestic credit, for 1969, to 28.1 percent of this total, for 1980. The increments in this share have been particularly large during the three most recent years, as shown in Table 12.

Table 13. Honduras: Proportions of the domestic credit of the Central Bank, outstanding at the end of each year, received by some sectors. 1970-1980. (Percentages).

	<u>Public sector</u>	<u>Central Govern- ment</u>	<u>Rest of public sector</u>	<u>Banking system</u>	<u>Commer- cial banks</u>	<u>Develop- ment banks</u>
1970	55.1	44.3	10.7	44.6	24.2	15.4
1971	64.1	52.0	12.1	35.6	19.0	15.7
1972	66.4	50.7	15.7	33.2	17.8	14.9
1973	57.4	41.8	14.5	42.3	23.3	18.5
1974	52.4	38.2	14.2	47.3	27.0	20.0
1975	44.2	30.9	13.3	55.6	32.0	22.9
1976	46.3	33.6	12.7	53.5	28.1	23.8
1977	39.2	19.3	19.9	60.6	36.0	24.6
1978	54.2	35.6	18.6	45.6	24.6	22.6
1979	60.7	34.2	26.5	39.0	22.6	15.3
1980	59.1	39.9	29.2	40.7	24.3	14.5

As a consequence of these different rates of growth, the amount of domestic credit from the banking system for the public sector, measured in constant 1966 Lempiras, increased from 188.1 million, for 1978, to 245.2 million, for 1980. At the same time, however, the amount of domestic credit from the banking system, for the private sector, measured in real terms, actually declined, from 664.3 million of constant 1966 Lempiras, for 1978, to 625.2 million, for 1980. Taking into consideration the loans and discounts received by the private sector, only, their real value declined from 613.3 million Lempiras of 1966, for 1978, to 559.8 million, for 1980.

The domestic credit of the banking system for the public sector increased more rapidly during the second half of the decade than during the first half. Exactly the opposite is true of domestic credit for the private sector, as shown in Table 10. During the whole decade, the domestic credit of the banking system going to the rest of the public sector increased more rapidly than the amounts going to the Central Government.

Table 11 presents the average annual rates of growth of the domestic credit of the Central Bank going to the different sectors. While during the first half of the decade, Central Bank credit for the banking system grew much more rapidly than Central Bank credit for the public sector, the opposite is true for the second half of the decade. In effect, between 1975 and 1980, Central Bank credit increased at an average annual rate of 18.5 percent, when destined for the public sector, but of only 5.0 percent, when destined to the banking system.

As a result of these different rates of growth, the share of the public sector in Central Bank credit increased from 44.2 percent, for 1975, to 60.7 percent, for 1979, and to 59.1 percent, for 1980. The share of the banking system, which had reached 60.6 percent in 1977, declined to 40.7 percent in 1980, as shown in Table 13.

The share of Central Bank credit received by the commercial banks declined from 36.0 percent, for 1977, to 22.6 percent, for 1979, and to 24.3 percent, for 1980. The share corresponding to the development banks declined, from 24.6 percent, for 1977, to 14.5 percent, for 1980. The banking system had not received shares as low as these since 1972.

Table 14. Honduras: Annual rates of inflation, as measured by the changes in the general consumer price index. 1970-1980. (Percentages).

	<u>Annual average</u>	<u>December to December</u>
1971	2.03	1.64
1972	3.61	5.39
1973	5.67	7.25
1974	12.54	11.37
1975	8.06	7.78
1976	4.95	5.56
1977	8.53	7.59
1978	5.72	5.42
1979	8.79	18.97
1980	18.80	9.86

During the two most recent years, Honduras has experienced a relatively new phenomenon: inflation. As indicated in Table 14, the rate of price increase has been very moderate in Honduras, reflecting both the high degree of openness of the economy and the conservative monetary policy adopted, aimed at keeping the exchange rate of the Lempira constant. This relative price stability has favored the development of Honduras' financial system, so far.

II

THE FINANCIAL SYSTEM OF HONDURAS

Claudio Gonzalez-Vega

II

THE FINANCIAL SYSTEM OF HONDURAS

2.01 The composition of the financial system.

The financial system of Honduras is dominated by the private commercial banks and by a few public development banks. With the exception of the savings and loan associations and of a handful of finance companies (financieras), there are few specialized institutions of other types in the formal financial markets. The equivalent of a stock market is completely inexistent in this country. There is also a rural credit union network, of some importance in the rural areas, in terms of the number of members, but their total volume of funds is possibly comparatively small. In addition, there are several types of other lenders in the informal credit markets, but the financial intermediation functions that these lenders perform are limited in scope. The relative magnitude of the resources mobilized by these informal lenders is not known. Their participation in the financing of agricultural activities is discussed below.

In this respect, Honduras is not different from most low income countries. In this kind of financial environment, individual economic units issue relatively few primary securities, as a proportion of savings, thus indicating

a greater reliance placed on self-finance by firms, at least in comparison with those in wealthier countries. Most of this limited flow of primary securities is acquired by the financial institutions, rather than being placed directly with final savers. At the same time, the liabilities of the monetary system -those of the Central Bank and of the commercial banks- account for most of the claims on intermediary financial institutions that are held by the public.^{1/}

If open markets for primary securities (bonds, mortgages, common stock) are insignificant, indirect financing or intermediation through the monetary mechanism is the main artery of the formal financial sector. That is, the monetary system has the most important role as an intermediary between savers and investors. Private financial savings in Honduras, as is the case in most low income countries, are largely currency and deposits; claims on the Central Bank, the commercial banks, and such near banks as the development banks, the savings and loan associations and the financieras. In mobilizing resources for economic development, therefore, the intermediary role of the banks is extremely important. The banking system is virtually the only financial means of attracting voluntary

^{1/} See Raymond Goldsmith, Financial Structure and Development, Yale University Press, 1969; Ronald I. McKinnon, Money and Capital in Economic Development, Washington, D.C.: Brookings Institution, 1973; and John Cody, Helen Hughes and David Wall, Policies for Industrial Progress in Developing Countries, Oxford University Press, 1980.

private savings on a large scale and of extending credit to investing enterprises in the private and the public sectors. The following sections attempt to evaluate the performance of the Honduran banking system as an intermediary between savers and investors.

2.02 The institutions of the formal financial system.

The financial system of Honduras includes the following institutions:

- a. The Central Bank of Honduras.
- b. Fourteen private domestic commercial banks, some of them partially owned by foreigners, and the branches of two foreign commercial banks, namely:
 - Banco Atlántida, the largest, established in 1914.
 - Banco de Honduras, operating since 1889.
 - Banco la Capitalizadora Hondureña (BANCAHSA), created in 1948, became a general bank later.
 - Banco Financiera Hondureña, established first as a financiera, in 1964, under the auspices of US-AID, later became a general bank and finally failed towards the end of 1980.
 - Banco El Ahorro Hondureño, originally a savings institution, became a bank in 1959.
 - Banco del Comercio, created as a specialized institu-

tion in 1952, later became a general bank.

-Banco de Occidente, founded in Santa Rosa de Copán in 1951.

-Banco Continental, established in 1974.

-Banco de los Trabajadores, has been operating since 1966.

-Banco Sogerin, previously Banco Hipotecario, became a general bank in 1976 and operates from its main branch in San Pedro de Sula.

-Banco de las Fuerzas Armadas (BANFFAA), organized in 1979.

-Banco Financiera Centroamericana (FICENSA), organized first as a financiera in 1972, later became a general bank.

-Banco Mercantil (BAMER), initiated operations in 1980.

-Banco Hondureño del Café (BANHCAFE), established in 1980 by the Honduran Association of Coffee Growers (AHPROCAFE) and the Honduran Coffee Institute (IHCAFE).

-Banco de Londres y Montreal, the first branch of a foreign bank, opened in 1959.

-Bank of America, the second foreign bank to open a branch, operating since 1966.

c. Three public development banks, with specialized functions, namely:

-Banco Nacional de Desarrollo Agrícola (BANADESA), created in 1980 after a reorganization of the Banco Nacional de Fomento (BANAFON), the first and largest development bank, which had been operating since 1950. BANADESA, established to promote agricultural production, has a more specific focus than its predecessor BANAFON, which had been entrusted a multitude of heterogeneous functions.

-Banco Municipal Autónomo, created in 1960 to promote, finance and assist municipal development.

-Corporación Nacional de Inversiones (CONADI), established in 1974 as a mechanism for the organization, growth and consolidation of industrial firms.

- d. One public savings and loan bank, Financiera Nacional de la Vivienda (FINAVI), created in 1975, in order to channel external funds and domestic savings to low cost housing projects.
- e. Seven private savings and loan associations, devoted to housing finance, all organized after 1976, namely: La Vivienda; La Vivienda de Sula, S.A.; La Constancia; Financiera Metropolitana; Futuro; Casa Propia, S.A.; and INVA.
- f. Six private insurance companies, namely: El Ahorro Hondureño, S.A.; Aseguradora Hondureña, S.A.; Compañía de

Seguros Interamericana, S.A.; Compañía de Seguros La Continental, S.A.; Pan American Insurance Company and Honovers Insurance Company.

- g. Two almacenes generales de depósito (Storage houses granting credit): Compañía Almacenadora S.A. (COALSA) and Almacenes de Depósito, S.A. (ALDESA).

The commercial banks operate 212 branches throughout the country, a 21.1 percent increase over the 175 branches operated in 1976. Of these, 124 branches, representing 58.5 percent of the total number, belong to Banco Atlántida, BANCAHSA and Banco El Ahorro Hondureño. These three banks, in turn, have mobilized over 50 percent of the total volume of deposits of the private commercial banks.

In addition, the development banks operate 31 branches, 28 of which belong to BANADESA. The savings and loan associations, in turn, operate another 31 branches and the Central Bank operates 8 branches. In total, for its operations the banking system operates 282 branches, a 29.4 percent increase over the 218 branches operated in 1976. From the total number of branches, 80 operate in Francisco Morazán, where Tegucigalpa is located, and 73 operate in Cortés, where San Pedro de Sula is located.

In addition to the formal financial institutions, the Honduran farmer receives credit from several semi-formal and informal sources. These informal sources include producing and marketing firms, such as the banana companies, COHBANA, sugar mills, tobacco processors, meat packing plants, cotton processors, etc. Santos and Alonso claim that these specialized firms mobilize substantial amounts of resources. ^{1/} These firms exercise, through credit, an effective control of their suppliers. A large portion of their funds might have come, at least in the past, from external sources, such as foreign private commercial banks. Santos and Alonso claim that over 50 percent of the resources mobilized are foreign. These firms also receive loans from the private domestic commercial banks and even from BANADESA and use them for the financing of the smaller producers associated with them. In several cases the loans are in kind (inputs) and the firms usually provide technical assistance to their suppliers, too.

Other participants in the Honduran rural credit markets are several types of cooperatives, usually grouped in federations, such as FACACH, FECOHICAL, ANACH and other. Another institution in this class is FUNHDESA. Although these cooperatives claim to have thousands of members, most of them are inactive.

The commercial firms supplying fertilizer and other inputs also provide credit to their customers. They also recom-

1/ Reynaldo Santos and Victor Alonso. "Informe sobre el credito agricola en Honduras". Compilacion de los Estudios Basicos del Diagnostico del Sector Agricola. MRN, CSPE, and AID. 1978.

mend their clients with the banks and other credit institutions. Their own credit is usually very short term (180 days), while interest is charged after 30 days. Finally, there are all kinds of intermediaries in the rural areas providing credit: truckers, storage houses, merchants, as well as the local moneylenders, known as "coyotes". Friends and relatives are always a source of loans, too.

These other sources of credit are very informal, but usually they are very effective in serving the immediate needs of the Honduran farmers. No one has studied the costs, risks, and procedures involved, as well as the relative magnitude of the resources mobilized. The survey conducted by the Ohio State University team attempts, among other things, to gain some understanding about these informal sources of credit. The results obtained are reported in another chapter, below.

2.03 The relative importance of the commercial banks.

The banking system of Honduras has been officially divided into three groups of institutions: the private commercial banks, the public development banks, and the specialized savings institutions. ^{1/} Because their relative importance with respect to the agricultural sector is minimal,

^{1/} The consolidated and disaggregated accounts of the banking system, according to this classification, are published in the Boletin Estadistico Mensual of the Central Bank.

the specialized savings institutions are not explicitly considered in this chapter. Detailed statistics about the operations of the banking system, as a whole, and of the private commercial banks and public development banks, are presented in the Statistical Annex, for the period 1960-1980. The textual discussion will summarize the major trends and the structural characteristics of the banking system, as reflected in such data.

As already indicated, the 16 private commercial banks dominate the banking system of Honduras. Their predominant role is reflected both in terms of their relative importance with respect to the total portfolio of outstanding loans (the stock of credit) and with respect to the annual amounts of credit granted (the flow of credit). From the point of view of the portfolio of loans outstanding at the end of each year, the relative importance of the commercial banks, with respect to the banking system, increased from 60 percent, around 1960, to 75 percent, in 1977. During the last three years (1978-1980), however, the relative importance of the commercial banks, in this respect, has been declining, mostly as a consequence of their more limited access to Central Bank funds since 1978. By 1980, the portfolio of outstanding loans of the commercial banks represented only 66 percent of the total portfolio of the banking system.

TABLE 1

HONDURAS: Banking System: Loans outstanding at the end of each year. Relative importance of the commercial banks, the development banks and the specialized savings institutions. (Percentages). 1960-1980.

Year	<u>Commercial banks</u>	<u>Development banks</u>	<u>Savings institutions</u>
1960	64.5	18.5	17.0
1965	60.4	25.7	13.9
1970	68.4	21.8	9.8
1975	72.9	20.3	6.8
1976	76.5	20.1	3.4
1977	75.0	20.6	4.4
1978	73.4	21.7	4.9
1979	70.8	22.7	6.5
1980	66.2	24.8	9.0

Source: Annex, Tables 17, 18, 19 and 20.^{1/}

The relative importance of the development banks, on the other hand, reached a peak in 1965, when their portfolio represented almost 26 percent of the total portfolio of the banking system, and then slowly declined, to 20 percent, around 1975. This importance, however, increased again during the more recent years, reaching almost 25 percent in 1980. Finally, the portfolio of the specialized savings institutions represented 17 percent of the total portfolio of the banking system in 1960, but this relative importance declined to only 3.4 percent in 1976. The proportion of the total portfolio of the banking system represented by these institutions, however, increased again, to represent 9 percent, in 1980.

^{1/}All Annex Tables for Chapters I-IV are included at the end of Chapter IV.

TABLE 2

HONDURAS: Banking System: New loans granted during the year. Relative importance of the commercial banks, the development banks, and the specialized savings institutions. (Percentages). 1960-1980.

Year	<u>Commercial banks</u>	<u>Development banks</u>	<u>Savings Institutions</u>
1960	77.6	16.9	5.5
1965	70.5	21.2	8.3
1970	82.3	10.4	7.3
1975	86.8	9.2	4.0
1976	86.7	8.0	5.3
1977	83.9	14.0	2.1
1978	86.9	11.0	2.1
1979	82.3	14.7	3.0
1980	78.8	16.6	4.6

Source: Annex, Tables 17, 18, 19 and 20.

During the last two decades, except for a couple of years, the commercial banks have granted over 75 percent of the new amounts of credit disbursed by the Honduran Banking System each year. In effect, from the point of view of the annual flows of new loans, the relative importance of the commercial banks declined from almost 78 percent, in 1960, to just over 70 percent, in 1965. This relative importance increased, however, to reach a peak of 86.9 percent in 1978. Only during 1980 did this proportion decline below levels already reached in 1974, to represent almost 79 percent.

From the point of view of the flows of new credit, the relative importance of the development banks had reached a peak of 21.2 percent in 1965. Nevertheless, this proportion

had declined steadily, to represent only 8 percent in 1976. This reflected, to a large extent, the financial difficulties of BANAFON, then the most important development bank. The relative importance of the development banks, with respect to the new loans granted by the Honduran Banking System, has increased during the last three years and reached almost 17 percent of the total in 1980. From the point of view of these flows of new credit, the specialized savings institutions have played a minor role. (The relative importance of these institutions in terms of the stocks of credit is larger than in terms of the flows, in view of the longer terms of the loans that they grant).

2.04 The growth of the banking system

The important role of the banking system (monetary liabilities and assets) as an intermediary between savers and investors has already been emphasized. The ratio of the liabilities of the banking system, represented by M_2 (money in the form of currency and demand deposits, and quasi money in the form of time and savings deposits), with respect to the Gross Domestic Product (GDP), is a rough statistical measure of the flow of loanable funds through the banking system. Not only is this ratio indicative of the size of the banking system, which can reinvest, in potentially new directions, funds from the old loans that have matured, but

TABLE 3

CENTRAL AMERICA: Ratio of the stock of money (M_2) to Gross Domestic Product. 1960-1979.

	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>	<u>1978</u>	<u>1979</u>
Guatemala	13.7	15.8	18.9	23.1	24.3	22.8
El Salvador	19.4	22.2	23.7	30.2	30.5	29.0
Nicaragua	n.a.	17.3	15.4	23.8	27.7	n.a.
Costa Rica	18.8	18.7	21.0	29.6	36.4	38.2
Honduras	13.0	16.2	23.0	26.8	32.8	30.1

Source: Computed from data in Consejo Monetario Centroamericano, Boletín Estadístico, several years.

increases in this ratio provide a good indication of the real additions to the ongoing loanable funds capacity of the banking system.

Table 3 presents the ratio of M_2 to GDP for the five Central American countries. These ratios compare well with those of other Latin American countries. Towards 1977, the ratio of M_2 to GDP averaged less than 20 percent for the Latin American countries and about 25 percent for the Asian and Middle Eastern ones. On the other hand, for the industrialized countries this ratio represented at least 60 percent. That is, in comparison with more advanced countries, the flow of loanable funds through the banking systems of these countries is quite limited. The relatively better performance of the Central

American countries, on the other hand, is a consequence of their relatively conservative monetary policies and, particularly, of their very low rates of inflation. The lower ratios observed in 1979, in comparison with 1978, show, in effect, the consequences of accelerated inflation in all of the Central American countries. This tendency was accentuated during 1980, a year not shown in this Table.

Within Central America, Honduras shows a better than average performance. Starting from a relatively low level of monetization (a ratio of 13.0 in 1960), the banking system of Honduras has grown significantly during the past two decades and the ratio of M_2 to GDP reached 38.2 percent in 1978. This country, however, has experienced financial difficulties similar to those experienced in the rest of Central America during the last couple of years. As a consequence, the flow of resources channelled through the banking system has not grown as rapidly as in the past and the ratio of M_2 to GDP has started to decline.

In effect, the stock of loans of the Banking System, outstanding at the end of each year, grew very rapidly through the 1970s, particularly during 1975-77, when these magnitudes are measured in real terms (that is, in constant Lempiras of 1966). The real value of this stock of outstanding loans, however, has declined during the last two years (1979-80).

TABLE 4

HONDURAS: Banking System: Loans outstanding at the end of each year, in real terms. Values in millions of constant Lempiras of 1966. Annual real rates of growth in percentages.

Year	<u>Banking System</u>		<u>Commercial Banks</u>		<u>Development Banks</u>	
	<u>Value</u>	<u>%</u>	<u>Value</u>	<u>%</u>	<u>Value</u>	<u>%</u>
1971	318.8		244.1		68.6	
1972	340.8	6.9	252.3	3.4	74.5	8.7
1973	389.3	14.2	290.3	15.1	79.8	7.0
1974	399.4	2.6	292.1	0.6	85.2	6.8
1975	443.6	11.1	406.7	39.2	90.0	5.7
1976	503.9	13.6	385.3	- 5.3	101.4	12.6
1977	574.1	13.9	430.7	11.8	118.5	16.9
1978	617.9	7.6	453.4	5.3	133.9	13.1
1979	585.4	- 5.3	414.2	- 8.6	132.8	- 0.9
1980	570.2	- 2.6	377.2	- 8.9	141.6	6.7

Source: Annex, Tables 21 through 26.

As a result of this decline in the real value of the portfolio of outstanding loans of the Banking System, the volume of credit outstanding at the end of 1980 (equivalent to 1.8 times its value in 1971) was slightly lower than the volume outstanding at the end of 1977, and only 92 percent of the volume outstanding in 1978.

The decline in the real value of the outstanding portfolio has been even more pronounced in the case of the commercial banks. The volume of outstanding commercial bank credit, at the end of 1980, represented only 83 percent of the volume outstanding at the end of 1978 and was less than the volume already reached in 1975.

TABLE 5

HONDURAS: Banking System: New loans granted during the year, in real terms. Values in millions of constant Lempiras of 1966. Annual real rates of growth in percentages.

Year	<u>Banking System</u>		<u>Commercial Banks</u>		<u>Development Banks</u>	
	<u>Value</u>	<u>%</u>	<u>Value</u>	<u>%</u>	<u>Value</u>	<u>%</u>
1971	378.6	- 2.8	315.9	- 1.5	37.2	- 8.6
1972	421.9	11.4	366.4	16.0	43.6	17.3
1973	475.7	12.8	345.5	- 5.7	46.6	6.8
1974	448.5	- 5.7	386.2	11.8	45.3	- 2.8
1975	483.6	7.8	419.9	8.7	44.7	- 1.2
1976	619.2	28.0	537.0	27.9	49.7	11.2
1977	742.9	20.0	623.0	16.0	104.4	109.8
1978	779.0	4.9	676.9	8.6	85.3	-18.2
1979	787.7	1.1	648.4	- 4.2	115.7	35.6
1980	585.7	-25.6	461.4	-28.8	97.2	-16.0

Source: Annex, Tables 27 through 38.

In effect, while the total outstanding portfolio of the commercial banks amounted to 406.7 million Lempiras in 1975 (equivalent to 1.7 times its value in 1971), it amounted to only 377.2 million Lempiras in 1980. This significant decline in the real value of the portfolio of the commercial banks is due to the impact of accelerating inflation, which reached over 18 percent per annum in 1980. Credit figures were deflated by the general consumer price index, which tends to underestimate the actual rate of inflation, because of an obsolete basket is

employed. Actually, if the rate of inflation has been higher than that measured by the rate of change of this index, as most experts agree, the effective decline in the real value of the stock of loans outstanding has been more pronounced than the decline estimated by deflating the nominal figures by the consumer price index .

In addition to inflation, the portfolio of the commercial banks, measured in real terms, has declined as a consequence of a decline in the rate of growth of deposits, in real terms, induced in part by capital flight. This real value has also diminished as a result of a more limited access of the commercial banks to Central Bank funds, particularly because the share of domestic credit going to the public sector has grown much more rapidly than the amounts of Central Bank credit available to the private commercial banks, as explained.

The availability of Central Bank funds and of external resources for the development banks has diminished much less drastically and, while the rate of growth of the portfolio of outstanding loans of these banks has been lower than in the past, the actual decline took place only during 1979 and has been much less pronounced.

The reduction in the availability of loanable funds is more severe when one looks at the annual flows of new loans granted. As indicated in Table 5, the real value of this flow declined by 25.6 percent during 1980. As a result, this

flow of new credit from the Banking System represented, in 1980, only 75 percent of the amounts granted in 1978. The total amount of new loans, in constant Lempiras of 1966, reached 585.7 millions in 1980, less than the 619.2 millions already reached in 1976.

The decline in the real value of the flow of new loans is more acute in the particular case of the commercial banks. This flow declined by 28.8 percent during 1980 and the amount loaned out this year represented only 68.2 percent of the amount loaned out in 1978. In fact, this flow amounted in 1980 461.4 millions constant Lempiras of 1966, while in 1976 it had already amounted to 537.0 millions.

The real value of the annual flow of new credit also declined in the case of the development banks. This flow diminished by 16 percent during 1980, reaching a lower level than in 1977. In this case, however, the decline has been less pronounced than in the case of the commercial banks. This has resulted from better access to public funds, particularly in the case of CONADI.

In summary, both in terms of flows and of stocks, the amounts of credit granted by the Honduran Banking System had increased satisfactorily up to 1977. Measured in real terms, however, this growth was reduced and actual reductions have been experienced since 1978, leading to a more limited capacity of the Banking System to serve the country's productive activities.

TABLE 6

Central America: Ratio of Gross Domestic Credit of the Banking System to Gross Domestic Product. 1960-1980.

	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>	<u>1978</u>	<u>1979</u>
Guatemala	13.3	16.2	16.9	19.0	20.6	19.6
El Salvador	27.5	25.6	28.5	36.1	34.4	36.8
Nicaragua	n.a.	24.6	29.8	47.5	53.2	n.a.
Costa Rica	31.3	32.3	32.4	37.4	41.8	48.1
Honduras	11.8	16.6	29.9	41.3	44.3	44.0

Source: Computed from data in Consejo Monetario Centroamericano, Boletín Estadístico, several years. See Annex, Table

As already indicated and as further shown by the ratios of the total amounts of domestic credit to Gross Domestic Product, presented in Table 6, this financial development of Honduras compares satisfactorily with that of the other Central American countries. Nevertheless, during the last few years, a larger proportion of the volumes of financial resources mobilized has been captured by the public sector. In effect, the share of the public sector in the combined portfolios of the Central Bank and the commercial banks increased from 12.9 percent, in 1977, to 28.2 percent, in 1980. This has been one of the main reasons behind the decline in the availability of credit for the productive sectors in the hands of private firms.

III

AGRICULTURAL CREDIT IN HONDURAS

Claudio Gonzalez-Vega

III

AGRICULTURAL CREDIT IN HONDURAS

3.01 The growth of agricultural credit in real terms.

Detailed information about the amounts of agricultural credit granted by the Honduran banking system is presented in the Statistical Annex, for the period 1960-1980. This chapter attempts to summarize the wealth of information contained in that Annex, in order to characterize the general evolution of agricultural credit in Honduras.

The amounts of agricultural credit granted can be measured as a stock, at a given moment in time, (i.e., as the loans outstanding at the end of each year), or as a flow during a given period of time, (i.e., as the new loans granted during the year). These amounts can also be measured in nominal terms, (i.e., in current Lempiras), or in real terms, (i.e., in Lempiras of constant purchasing power, at prices of 1966). Finally, the figures presented here correspond to the banking system, which includes the private commercial banks, the public development banks, and the specialized savings institutions. These savings institutions have been ignored in this chapter, due to their minor relative importance. For this reason, the figures for the commercial and development banks do not add up to the total figures for the banking system.

Table 1. Honduras: Average annual rates of growth of agricultural credit of the banking system, in real terms. 1960-1980. (Percentages).

	<u>1960-1970</u>	<u>1970-1980</u>	<u>1970-1975</u>	<u>1975-1980</u>
Loans out-standing:				
Banking system	-	4.89	7.38	2.46
Commercial banks	-	7.44	8.61	6.29
Development banks	-	3.78	8.82	- 1.02
New loans:				
Banking system	24.42	1.31	- 0.10	2.74
Commercial banks	33.29	1.08	- 2.29	4.58
Development banks	13.48	3.37	7.03	- 0.17

Source: Statistical Annex, Tables 33 through 50.

The value of the agricultural loans of the banking system, outstanding at the end of the year, increased from 96.9 millions of constant Lempiras of 1966, for 1970, to 156.3 millions, for 1980. This represents an average annual rate of growth of 4.9 percent for the decade, which compares favorably with the rate of 1.9 percent per annum, averaged by the real agricultural output during the same period. This average rate of growth was higher for the first half than for the second half of this decade, as reflected in Table 1.

Actually, the value of the agricultural loans of the banking system, outstanding at the end of the year, increased each year between 1970 and 1978, to reach 174.2 millions of constant Lempiras of 1966. Afterwards, however, this real value declined by 6.3 percent, during 1979, and by 4.2 percent, during 1980. As a result, the 1980 level was only 89.7 percent of the 1978 level.

In real terms, the value of the agricultural loans of the private commercial banks, outstanding at the end of the year, increased at an average rate of 7.4 percent per annum, which is significantly higher than the rate of 4.9 percent per annum, associated with all the banking system, for the 1970's. That is, these loans increased from 41.6 millions of constant Lempiras of 1966, for 1970, to 94.9 million, for 1978, and then declined to 85.2 million, in 1980. This implies negative rates of growth of 5.1 and 5.4 percent, respectively, for the two last years of the decade.

In real terms, the value of the agricultural loans of the public development banks, outstanding at the end of the year, increased at an average annual rate of only 3.8 percent, between 1970 and 1980. However, the average annual rate of growth of these outstanding loans was 8.8 percent for the first half of the decade, and a negative 1.0 percent, for the second half.

In effect, the value of the agricultural loans outstanding at the end of the year increased, for the development banks, from 49.0 millions of constant Lempiras of 1966, for 1970, to 78.9 millions, in 1976. This real value declined in 1977 and then reached 79.3 millions of constant Lempiras in 1978, to decline to 71.1 millions, in 1980. This implies negative annual rates of growth of 7.7 and 2.8 percent, respectively, for the last two years of the decade.

While the loans outstanding at the end of the year have been deflated by the December value of the general consumer price index, the flow of new loans granted during the year must be deflated, for consistency, by the annual average of the index. The real values of these new loans show much less rapid growth than the stocks of outstanding loans, during the 1970's.

Particularly conspicuous is the difference between the real rates of growth corresponding to the 1960-1970 decade, and those corresponding to the 1970-1980 decade, as shown in Table 1. In effect, the flow of new loans granted by the banking system to the agricultural sector grew at an average annual rate of 24.4 percent, during the first decade, and at an average annual rate of only 1.3 percent, during the second decade. Moreover, between 1970 and 1975, this real value declined at an average rate of 0.1 percent, but between 1975 and 1980, it increased at an average rate of 2.7 percent.

The real value of the new agricultural loans granted by the banking system increased from 12.0 millions of constant Lempiras, for 1960, to 45.0 millions in 1965, and to 106.6 millions, in 1970. This value had reached the level of 126.4 millions of constant Lempiras by 1973, but then declined during 1974 and 1975, as a consequence of the reduction in agricultural activity caused by hurricane Fifi. The real value of these new agricultural loans reached a peak of 224.0 millions of constant Lempiras in 1977. This value declined, however, by 16.1 percent, during 1978, and by 37.7 percent, during 1980, to reach the level of 121.4 millions of constant Lempiras. This level corresponds to only 54.2 percent of the level already reached in 1977.

While during the 1960's, the real value of the new agricultural loans granted by the commercial banks increased at an average annual rate of 33.3 percent, during the decade of the 1970's it increased at an average annual rate of only 1.1 percent, as shown in Table 1. That is, this real value increased from 4.2 millions of constant Lempiras, in 1960, to 16.6 millions, in 1965, and to 74.6 millions, in 1970. After reaching the level of 88.4 millions of constant Lempiras, in 1972, this real value declined for three consecutive years, down to 66.4 millions. It rapidly increased afterwards, to reach a peak of 160.9 millions of constant Lempiras, in 1977.

The real value of the new agricultural loans granted by the commercial banks each year declined by 15.1 percent in 1978, by 0.3 percent in 1979, and by 39.0 percent, in 1980. As a result, the 1980 level, of 83.1 millions of constant Lempiras, was only 51.6 percent of the value already reached in 1977, and less than the 88.4 millions already reached in 1972.

While during the 1960's, the real value of the new agricultural loans granted by the public development banks increased at an average annual rate of 13.5 percent, during the 1970's this value increased at an average annual rate of 3.4 percent. The difference between the two decades, therefore, is less pronounced than in the case of the private commercial banks. On the other hand, contrary to what happened in the case of the commercial banks, the real value of the new agricultural loans granted by the development banks increased, at an average annual rate of 7.0 percent, during the first half of the decade of the 1970's, but then declined, at an average rate of 0.2 percent per annum, during the second half.

The real value of the new agricultural loans granted by the development banks increased from 7.8 millions of constant Lempiras, in 1960, to 29.3 millions, in 1966, and then declined, to 27.6 millions, in 1970. This value reached a peak of 63.1 millions of constant Lempiras in 1977, but declined by 19.6 percent, during 1978, and by 34.7 percent, during 1980.

Table 2. Honduras: Proportions of the agricultural credit of the banking system granted by the commercial and the development banks. 1960-1980. (Percentages).

	<u>Commercial banks</u>		<u>Development banks</u>	
Loans out-standing:	<u>Agricul-ture</u>	<u>Total</u>	<u>Agricul-ture</u>	<u>Total</u>
1960	41.0	64.5	58.9	18.5
1965	30.2	60.4	67.0	25.7
1970	42.9	68.4	50.6	21.8
1975	45.4	72.9	54.1	20.3
1980	54.5	66.2	45.5	24.8
New loans:				
1960	35.1	77.6	64.9	16.9
1965	36.8	70.5	61.0	21.2
1970	70.0	82.3	25.8	10.4
1975	62.6	86.8	36.5	9.2
1980	68.4	82.3	31.6	16.6

Source: Statistical Annex, Tables 13 through 20.

3.02 Relative importance of the commercial and development banks.

By 1980, the largest proportion of the agricultural credit of the banking system, both in terms of stocks and of flows, was being granted by the private commercial banks. The proportion of the total agricultural credit granted by these banks, however, was lower than the proportion of total credit granted by them. This predominant position of the commercial banks was reached during the 1970's, reversing the situation observed during the 1960's, as shown in Table 2.

The relative importance of the portfolio of agricultural loans of the commercial banks, outstanding at the end of each year, with respect to the portfolio of agricultural loans of the banking system, has ranged between a minimum of 30.2 percent, for 1965, and a maximum of 55.2 percent, for 1979. While there was a tendency for this relative importance to decline, during the first half of the 1960's, after 1968 it has been, in general, increasing. Since 1977, the private commercial banks have represented more than half of the agricultural credit portfolio of the system. Moreover, the growth in the relative importance of the commercial banks with respect to agricultural credit has been more rapid than the growth of their relative importance with respect to total credit. That is, while between 1965 and 1980, their relative importance with respect to the portfolio of agricultural loans increased by 24.3 percentage points, their relative importance with respect to the total portfolio increased by only 5.8 percentage points.

The relative importance of the portfolio of agricultural loans of the development banks, outstanding at the end of each year, with respect to the portfolio of agricultural loans of the banking system, has ranged between a maximum of 68.9 percent, for 1964, and 44.8 percent, for 1979. Only after 1977 has this portfolio represented less than half of the total.

The proportion of the total of new loans granted by each of the two classes of institutions, however, seems to be a better measure of their relative importance. On the one hand, the portfolios of outstanding loans include medium and long term loans, granted in previous periods, while on the other hand, these portfolios also include delinquent loans, that have not been repaid and that have not been written off from the portfolios, particularly in the case of the public development banks.

The relative importance of the private commercial banks, from the point of view of the new agricultural loans granted during each year, has shown much variability during the past two decades. This relative importance has ranged from a minimum of 35.1 percent, for 1960, to a maximum of 76.8 percent, for 1976. The minimum level reached during the decade of the 1970's was 61.4 percent, for 1973. During the second half of the 1970's, this relative importance declined, from the peak reached in 1976, to 68.4 percent, in 1980.

The relative importance of the flow of new agricultural loans granted by the development banks, with respect to the total granted by the whole banking system, ranged between a minimum of 21.7 percent, for 1976, and a maximum of 64.9 percent, for 1960. While before 1968 these banks represented over 45.0 percent of the total, each year, afterwards they have represented less than 35.0 percent of the total, each year.

Table 3. Honduras: Relative importance of agricultural credit, as a proportion of the total credit of the banking system. 1960-1980. (Percentages).

	<u>Banking system</u>	<u>Commercial banks</u>	<u>Development banks</u>
Loans out-standing:			
1960	20.0	12.6	63.3
1965	31.5	15.7	81.9
1970	31.6	19.8	73.4
1975	31.2	19.4	83.1
1980	27.4	22.6	50.2
New loans:			
1960	17.5	7.9	67.3
1965	29.8	15.5	85.7
1970	27.4	23.3	67.8
1975	21.9	15.8	86.6
1980	20.7	18.0	39.5

Source: Tables 21 through 32 of the Statistical Annex.

3.03 Relative importance of agricultural credit.

In general, the relative importance of agricultural credit, both stocks and flows, as a proportion of total credit, has been lower than the relative importance of the agricultural sector, in terms of its contribution to GDP. Agricultural credit represents a major proportion of the credit granted by the development banks, but their weight is not sufficiently large. The commercial banks, on the other hand, have devoted to this sector less than one-quarter of their loanable funds.

The relative importance of the portfolio of agricultural loans, outstanding at the end of each year, with respect to the total portfolio of the banking system, has ranged between a minimum of 20.0 percent, for 1960, and a maximum of 32.9 percent, for 1971. This relative importance increased steadily during the 1960's, to reach the 1971 peak, and has been declining thereafter. In 1980 it represented 27.4 percent, the lowest value of the decade. The decline has been particularly pronounced after 1976, when the relative importance of the outstanding portfolio of agricultural loans was 30.5 percent of the total portfolio. This decline in relative importance may reflect the declining importance of the agricultural sector, per se. It may also reflect the fact that, during inflationary periods, as the real value of the total portfolio declines, the proportion devoted to more costly and risky clienteles declines even faster. That is, there is a redistribution of loan portfolios towards less costly and safer borrower classes, known as the iron law of interest rate restrictions. ^{1/}

The relative share of the portfolio of industrial loans, outstanding at the end of each year, with respect to the total portfolio of the banking system, on the other hand, increased

^{1/} Claudio Gonzalez-Vega. On the Iron Law of Interest Rate Restrictions. Ph.D. Dissertation. Stanford University. 1976.

from 9.8 percent, for 1960, to 24.5 percent, for 1971, and then declined to 19.2 percent, in 1980. The other two sectors receiving important shares of the stocks of credit are commerce and real estate activities. The relative importance of the portfolio of outstanding loans for commerce declined, from 27.7 percent, in 1963, to 12.8 percent, in 1971, increased again to 20.0 percent, in 1977, and then declined to 16.4 percent, in 1980. The relative importance of the portfolio of real estate loans declined, from 35.2 percent, for 1960, to 15.2 percent, in 1967, and then increased to 19.3 percent, in 1980.

The relative importance of the portfolio of agricultural loans of the commercial banks, with respect to their total portfolio, increased, with minor annual variations, from 12.6 percent, in 1960, to 19.8 percent in 1970, and to 22.6 percent, in 1980, reflecting the increasing importance accorded by the commercial banks to this sector. The relative importance of the portfolio of industrial loans of the commercial banks, with respect to their total portfolio, on the other hand, increased from 12.7 percent, in 1960, to 27.8 percent, in 1971, and then declined to 16.7 percent, in 1980.

The relative importance of the portfolio of agricultural loans of the development banks, with respect to their total portfolio, has shown much variability during the past two

decades, as the financial viability of some of these banks, e.g. BANAFON, first, and BANADESA, later, has fluctuated, and as new development banks, oriented towards other sectors of activity, have been created (e.g. CONADI and the municipal bank).

In effect, the relative importance of the outstanding portfolio of agricultural loans of the development banks has ranged between a maximum of 85.1 percent, for 1964, and a minimum of 50.2 percent, for 1980. Between 1962 and 1976, the portfolio of agricultural loans had represented over three-quarters of the resources loaned by the development banks. As indicated, this proportion had declined to only one-half, by 1980, reflecting the desire of the public sector to channel proportionately less resources to agriculture and more to other sectors, particularly manufacturing industry, through CONADI. In effect, the relative importance of the outstanding portfolio of industrial loans, with respect to the total portfolio of the development banks, increased from 6.8 percent, in 1961, to 14.7 percent, in 1971, and to 32.7 percent, in 1980.

As it has been explained already, the relative importance of a particular kind of credit can be measured better by the flows of new loans granted than by the outstanding stocks. The relative importance of the flow of new agricultural loans

granted by the banking system each year, with respect to their total flow of credit, has fluctuated much during the past two decades. This relative importance increased, from 17.5 percent, for 1960, to 29.6 percent, for 1963, and remained over 25.0 percent during a decade, until 1973, except in 1966 and 1967. After hurricane Fifi, it declined to 21.9 percent, for 1975, to reach a peak of 30.1 percent, during the coffee boom of 1977, and to decline rapidly, to 20.7 percent, by 1980. This relative share of the agricultural sector in the flow of new loans granted by the banking system was lower in 1980 than in any other year since 1961. The relative share of the industrial sector in this flow, on the other hand, increased from 10.4 percent, for 1960, to 24.8 percent, for 1971, and then declined, to 19.6 percent, for 1980. During this last year, commerce received 28.0 percent, real estate captured 9.7 percent, and services received 16.7 percent of the total flows of credit.

The relative importance of the annual flow of agricultural credit, with respect to the total flow of credit of the commercial banks, increased from 7.9 percent, in 1960, to 18.9 percent, in 1963. Afterwards, it declined to 11.8 percent, in 1967, and fluctuated wildly in the following years, with a generally increasing trend, to reach a peak in 1977, when it represented 25.8 percent. After this peak,

the relative importance of the flow of agricultural loans, with respect to the total flow of commercial bank credit, rapidly declined, to 18.0 percent, by 1980. The annual flow of new industrial loans, on the other hand, represented 12.4 percent of the flow of commercial bank credit, in 1960. Its relative importance increased to 26.0 percent, by 1973, and then declined, to 18.3 percent, for 1980.

The relative importance of the annual flow of agricultural credit, with respect to the total flow of credit of the development banks, increased from 67.3 percent, for 1960, to 89.9 percent, for 1964, and then declined to 67.8 percent, for 1970. During the 1970's, this proportion increased again, to 86.6 percent, in 1975, but then declined very rapidly, and by 1980 it was only 39.5 percent. This decline reflects not only the inability of BANADESA, which succeeded BANAFON, to maintain the real value of its portfolio and to collect its loans, but also the significant support that the public sector has accorded to CONADI. As a result, the relative importance of the flow of new industrial loans, with respect to the flow of credit of the development banks, increased from 4.9 percent, in 1960, to 35.2 percent, in 1979, to slightly decline and represent 31.2 percent, in 1980.

3.04 Bank credit for crops.

The largest portion of the credit volumes granted by the Honduran banking system to the agricultural sector has been devoted to the financing of crops. In effect, during 1980, crops received 75.3 percent of the flow of new agricultural loans from the banking system, and credit for crops represented 70.9 percent of the portfolio of outstanding agricultural loans. These proportions reflected a significant increment in the relative importance of credit for crops during the decade of the 1970s. That is, in 1970, loans for crops represented only 55.3 percent of the flow of new agricultural loans and only 50.6 percent of the stock of outstanding agricultural credit.

As a proportion of the total portfolio of the banking system, the relative importance of credit for crops increased from 13.2 percent, in 1973, to 19.4 percent, in 1980, despite the fact that the share of agricultural credit, with respect to the total, declined during the same period. This was not the case, however, with respect to the total flow of new loans. The relative importance of new loans for crops increased, from 12.4 percent, in 1973, to 24.7 percent, in 1977, but then declined to 15.6 percent, in 1980. This difference reflected both the sharp reduction in the relative importance of new loans for the agricultural sector, that

took place during the most recent years, as well as the shorter terms of the loans for crops as compared with loans for livestock.

The private commercial banks have granted less than one half of the outstanding portfolio of loans for crops. Their relative contribution increased from 36.0 percent, in 1974, to 48.1 percent, in 1977, and slightly declined to 46.9 percent, in 1980. The private commercial banks, however, have granted more than one half of the flow of new loans for crops, every year. This contribution increased from 56.0 percent, in 1974, to 74.6 percent, in 1976, but then declined, to 60.6 percent, in 1980.

On the other hand, the relative contribution of the public development banks to the outstanding portfolio of loans for crops declined, from 64.0 percent, in 1974, to 53.1 percent, in 1980. At the same time, their contribution to the flow of new loans for crops, declined from 44.0 percent, in 1974, to 24.2 percent, in 1977, and increased, to 39.4 percent, in 1980.

The private commercial banks have been devoting an increasing share of their total portfolio to crops. The relative importance of these loans increased, from 6.9 percent of the outstanding portfolio of the commercial banks, in 1973, to 13.8 percent, in 1980. As a result, the importance of crops with respect to the portfolio of

Table 4. Honduras. Relative Importance of Credit for Crops, As A Proportion of Total Credit. 1960-1980 (Percentages).

	Banking System	Commercial Banks	Development Banks
Loans Outstanding:			
1960	15.9	10.7	48.8
1965	21.5	11.8	54.7
1970	16.0	10.2	39.4
1975	16.6	9.1	48.5
1980	19.4	13.8	41.6
New Loans:			
1960	15.0	6.5	59.3
1965	24.2	12.8	70.6
1970	15.1	12.9	38.9
1975	14.7	9.8	66.3
1977	24.7	20.4	54.0
1980	15.6	12.0	37.1

Source: Tables 21 through 32. Statistical Annex.

outstanding agricultural loans increased, from 36.7 percent, in 1973, to 60.9 percent, in 1980. A different evolution has taken place with respect to the flows of new loans. Crops represented 7.9 percent of the total flow, in 1974. This proportion increased to 20.4 percent of the total flow of new commercial bank loans, in 1977, but declined to 12.0 percent, in 1980. As a result, new loans for crops which had represented 79.0 percent of the flow of new agricultural loans, in 1977, represented only 66.7 percent, in 1980.

Finally, the relative importance of crops in the portfolio of the development banks declined, from 51.7 percent, in 1976, to 41.6 percent, in 1980. The reduction in relative importance was even more pronounced in the case of the flow of new loans. The flow of new loans for crops represented 66.3 percent of the flow of credit from the development banks, in 1975. This proportion declined to 37.1 percent, in 1980.

In real terms, the outstanding portfolio of credit for crops, from the banking system, remained stagnant, at the level of 111 millions of constant Lempiras of 1966, during the three most recent years. As a result, while in real terms this portfolio increased at an annual average rate of 10.4 percent, between 1971 and 1976; it increased at a rate of 6.1 percent per annum, between 1976 and 1980. This recent stagnation is reflected both in the portfolio

of loans for crops of the commercial banks, at the level of 52 millions of constant 1966 Lempiras, and of the development banks, at the level of 59 millions of constant 1966 Lempiras.

On the other hand, the flows of new loans for crops have declined, both in nominal and in real terms. The nominal value of the flow of new loans for crops, from the banking system, declined from 308 million Lempiras, in 1977, to 210 million Lempiras, in 1980. The real value of this flow, on the other hand, declined from 183 millions of constant 1966 Lempiras, during 1977, to 91 millions, in 1980. That is, during 1980, the real purchasing power of the new loans granted was only 49.9 percent of its level in 1977.

The nominal value of the flow of new loans for crops, from the private commercial banks, declined from 213 million Lempiras during 1977, to 127 million Lempiras, during 1980. In real terms, this evolution implied a reduction, from 127 millions of constant 1966 Lempiras, lent during 1977, to 55 millions, lent during 1980. That is, the real flow of new loans for crops during 1980 reached only 43.6 percent of its 1977 level.

Finally, the real value of the flow of new loans for crops, from the public development banks, declined from 56 millions of constant 1966 Lempiras, for 1977, to 36

Table 5. Honduras. Average Annual Rates of Growth of Credit for Crops, in Real Terms, 1974-1980. (Percentages).

	Banking System	Commercial Banks	Development Banks
Loans Outstanding:			
1974-77	20.2	32.4	12.2
1977-80	2.4	1.5	3.2
New Loans:			
1974-77	50.0	61.0	33.1
1977-80	-20.7	-24.2	-13.8

Source: Tables 33 through 50. Statistical Annex.

millions, for 1980. That is, during the last year its level was 64.0 percent of its 1977 level.

3.05 Bank credit for livestock.

Credit for livestock has represented a declining proportion of Honduras' agricultural credit. While in 1974, livestock credit represented 42.9 percent of the outstanding portfolio of agricultural loans of the banking system, in 1980 it represented only 25.8 percent, and, while in 1972, livestock loans represented 50.4 percent of the flow of new agricultural loans from the banking system, in 1977 they represented only 8.5 percent. This proportion, however, increased to 24.7 percent, during 1980. The evolution of livestock credit in Honduras has been very dependent on the availability of foreign resources, particularly from the World Bank.

As a proportion of the total portfolio of the banking system, the relative importance of livestock credit declined from 14.1 percent, in 1972, to 5.9 percent, in 1980. At the same time, as a proportion of the annual flow of new loans, the relative importance of credit for livestock declined from 14.2 percent, in 1972, to 2.7 percent, in 1977, and slightly increased, to 3.9 percent, in 1980.

This reduction in the relative importance of livestock credit has been less pronounced in the case of the commercial than in the case of the development banks. With respect to

the total portfolio of the outstanding loans of the commercial banks, the importance of livestock credit declined from 8.2 percent in 1974, to 5.8 percent, in 1980. In the case of the development banks, on the other hand, it declined from 38.9 percent, in 1973, to 8.2 percent, in 1980. Similarly, with respect to the total flow of new commercial bank loans, the importance of livestock loans declined from 12.2 percent, in 1972, to 2.2 percent, in 1977, and then increased to 4.4 percent, in 1980. In the case of the development banks, this importance diminished from 34.1 percent, in 1972, to 2.1 percent, in 1980.

As a result of this different evolution, the private commercial banks have been contributing increasing shares of the total volumes of credit for livestock. While in 1970, these banks contributed 35.7 percent of the portfolio of outstanding livestock loans, in 1980 they represented 65.5 percent of the total. Similarly, while the commercial banks contributed 66.2 percent of the flow of new livestock loans, in 1970, they granted 90.9 percent of this flow, in 1980.

In real terms, the outstanding portfolio of livestock credit, from the banking system, steadily declined, from 54 millions of constant 1966 Lempiras, in 1974, to 34 millions, in 1980. This reduction was less pronounced in the case of the commercial banks. Their portfolio of

Table 6. Honduras. Relative Importance of Credit for Livestock,
As A Proportion of Total Credit, 1960-1980. (Percentages).

	Banking System	Commercial Banks	Development Banks
Loans Outstanding:			
1960	3.9	2.0	14.5
1965	9.4	3.5	25.9
1970	12.5	6.5	32.9
1975	11.9	7.0	32.9
1980	5.9	5.8	8.2
New Loans:			
1960	2.5	1.4	8.0
1965	5.1	2.3	14.1
1970	9.5	7.6	27.5
1975	4.9	3.6	18.9
1980	3.9	4.4	2.1

Source: Tables 21 through 32. Statistical Annex.

Table 7. Honduras. Average Annual Rates of Growth of Livestock Credit, in Real Terms, 1974-1980. (Percentages).

	Banking System	Commercial Banks	Development Banks
Loans Outstanding:			
1974-77	- 7.5	- 4.5	- 9.5
1977-80	- 8.1	1.6	-19.6
New Loans:			
1974-77	-19.0	-19.7	-15.4
1977-80	3.9	14.6	-31.7

Source: Tables 33 through 50. Statistical Annex.

livestock credit, in real terms, declined from 24 millions, of constant 1966 Lempiras, for 1974, to 22 millions, for 1980, while in the case of the development banks this real value decreased from 31 millions in 1973, to 12 millions, in 1980.

On the other hand, the real value of the annual flow of new livestock loans, from the banking system, declined from 60 millions of constant 1966 Lempiras, in 1972, to 20 millions, in 1977, and then increased to 23 millions, in 1980. This was equivalent to the level already reached in 1969. This development reflects a recovery of this flow, in real terms, in the case of the private commercial banks, but not in the case of the development banks. In effect, the real value of the flow of livestock loans, from the commercial banks, diminished from 45 millions of constant 1966 Lempiras, in 1972, to 14 millions, in 1977, but increased to 21 millions in 1980. In the case of the development banks, on the other hand, this real value steadily declined, from 15 millions of constant 1966 Lempiras, in 1973, to 2 millions, in 1980. This was equivalent to the level already reached in 1962.

In addition to crops and livestock, agricultural credit in Honduras finances poultry, forestry, honey producing, and fishing activities. These other uses have represented between 2 and 4 percent of the portfolio of outstanding loans

of the banking system, and between 1 and 3 percent of the annual flow of new loans. The commercial banks have granted over 90 percent of this credit since 1976. The real value of the portfolio of these loans declined from 22 millions of constant 1966 Lempiras, for 1978, to 12 millions, for 1980; while the real value of the corresponding annual flow declined, from 21 millions, in 1976, to 7 millions, in 1980. Fishing has been most affected.

3.06 Credit for particular crops.

With respect to the portfolio of outstanding agricultural loans of the banking system, coffee has been the crop with the highest share: it represented 23.3 percent of this portfolio in 1980; that is, 38.3 percent of the balances of credit for crops. Sugar cane has received the next highest share, followed by the three basic grains: mainly rice, as well as corn and beans. The share of coffee was highest in 1977, during the "coffee boom", when it reached 27.0 percent of the agricultural credit portfolio.

With respect to the annual flow of new agricultural loans, the predominance of coffee has been more marked. Coffee received 61.4 percent of the flow of agricultural loans from the banking system, in 1977. This share, however, dropped to 28.5 percent in 1980. The following tables provide information on credit for each one of the main crops. Additional, year to year data, can be found in the Statistical Annex, for these and for several other crops.

Table 8. Honduras. Data on Credit for Selected Crops, 1971-1980. Real Values in Millions of 1966 Constant Lempiras.

	1971	1974	1977	1980
<u>Coffee:</u>				
Relative importance of each source:				
Stocks: commercial banks	58.8	41.5	68.8	58.7
development banks	39.6	39.2	31.2	41.3
Flows: commercial banks	78.2	68.6	76.7	65.3
development banks	18.1	31.4	23.3	34.7
Relative importance in outstanding portfolio:				
banking system	5.4	3.9	6.2	4.4
commercial banks	4.1	2.2	5.7	5.3
development banks	9.9	10.7	9.3	9.9
Relative importance in flow of new loans:				
banking system	8.0	5.0	17.3	6.2
commercial banks	7.5	4.0	15.0	5.1
development banks	14.7	15.6	28.7	12.9
Real value of outstanding portfolio:				
banking system	17.2	15.6	35.5	33.8
commercial banks	10.0	6.5	24.4	19.9
development banks	6.8	9.1	11.1	14.0
Real value of flow of new loans:				
banking system	30.2	22.6	128.6	36.3
commercial banks	23.6	15.5	98.7	23.7
development banks	5.5	7.1	29.9	12.6
<u>Sugar Cane:</u>				
Relative importance of each source:				
Stocks: commercial banks	54.6	53.6	39.6	47.5
development banks	45.4	46.4	60.4	52.5
Flows: commercial banks	68.7	75.7	33.6	74.5
development banks	27.6	24.3	66.4	25.5
Relative importance in outstanding portfolio:				
banking system	1.7	1.3	3.3	3.2
commercial banks	1.2	1.0	1.7	2.3
development banks	3.7	2.9	9.6	6.7

Table 8 cont.

	1971	1974	1977	1980
Relative importance in flow of new loans:				
banking system	1.2	0.9	3.3	2.1
commercial banks	1.0	0.8	1.3	1.9
development banks	3.4	2.1	15.4	3.2
Real value of outstanding portfolio:				
banking system	5.5	5.3	18.9	18.0
commercial banks	3.2	2.8	7.5	8.5
development banks	2.5	2.5	11.4	9.4
Real value of flow of new loans:				
banking system	4.6	3.9	24.2	12.0
commercial banks	3.2	3.0	8.1	8.9
development banks	1.3	1.0	16.1	3.1
<u>Basic Grains:</u>				
Relative importance of each source:				
Stocks: commercial banks	32.8	28.0	22.2	34.0
development banks	67.2	72.0	77.8	66.0
Flows: commercial banks	44.9	36.4	45.2	51.3
development banks	53.9	63.6	54.8	48.7
Relative importance in outstanding portfolio:				
banking system	3.0	3.3	3.2	3.9
commercial banks	1.3	1.3	0.9	2.0
development banks	9.4	11.2	11.9	10.3
Relative importance in flow of new loans:				
banking system	1.8	2.0	1.2	2.4
commercial banks	1.0	0.9	0.6	1.5
development banks	10.0	12.9	4.6	7.0
Real value of outstanding portfolio:				
banking system	9.6	13.2	18.2	22.0
commercial banks	3.1	3.7	4.0	7.5
development banks	6.5	9.5	14.1	14.5
Real value of flow of new loans:				
banking system	6.9	9.2	8.7	13.9
commercial banks	3.1	3.3	3.9	7.1
development banks	3.7	5.8	4.8	6.8

Source: Statistical Annex.

In addition to coffee, sugar cane, and basic grains, the Honduran banking system finances bananas (less than one percent of the agricultural portfolio); tobacco (7.0 percent) and cotton (3.7 percent).

3.07 Commercial bank especialization in agriculture.

Agricultural credit represented over 20 percent of the portfolio of loans outstanding at the end of 1980, for seven out of the 15 commercial banks, while for two more banks it represented over 18 percent. The highest proportion of the portfolio devoted to agriculture by one individual commercial bank, in 1980, was 37.8 percent.

For 1980, the proportion of the portfolio devoted to agricultural credit was lower than at other times in the past, for all but four of the 15 banks. The highest ratio ever, of 82.1 percent, was reached by one bank in 1963. Still by 1970, this bank had 53.7 percent of its portfolio in agricultural loans.

Agricultural credit represented over 15 percent of the flow of new loans granted during 1980, for 8 of these 15 banks. The highest proportion by one individual bank was 45.6 percent. Again, these proportions had been higher in the past for most of the banks.

The decline in the proportion of the credit flows that the commercial banks devote to agriculture reflects the

Table 9. Honduras. Agricultural Credit at Some Private Commercial Banks, 1980. (Percentages).

Bank	Relative Importance of Its Flow of New Agricultural Loans with Respect to All Banks	Proportion of Outstanding Portfolio in Agriculture	Proportion of Flow of New Loans in Agriculture
A	16.5	30.3	45.6
B	14.5	37.2	32.8
C	13.2	15.2	12.0
D	9.2	18.2	12.9
E	8.9	26.8	12.4
F	8.8	25.6	23.2
G	7.7	12.2	18.4
H	4.4	14.9	18.4
I	3.5	21.9	9.2
J	3.3	32.8	18.8
K	3.2	37.8	16.8

Source: Unpublished bank records.

iron law of interest rate restrictions.^{1/} According to this law, as interest rate restrictions become more constraining, credit portfolios are redistributed among borrower classes on the basis of costs of lending and risk of default considerations. As a result, more costly to administer and riskier borrowers receive proportionately smaller loans and may even be excluded from access to formal credit. In the recent experience of Honduras, the credit shortage has increased the opportunity cost of loanable funds, inflation has eroded the real value of loan repayments, and preferential interest rates for most agricultural pursuits has reduced the relative profitability to the commercial banks of lending to this sector. Stagnation and an uncertain future have made lending to agricultural riskier. The reduction in the real value of rediscounts from the Central Bank, traditionally loaned for crops, particularly basic grains, has diminished the supply of this credit; while the costly procedures and arbitrariness in the allocation of funds, associated with Central Bank rediscounting and with the World Bank program of long-term credit, also administered by the Central Bank, have significantly increased transaction costs, as well as commercial bank reluctance to participate in these programs.

^{1/} Claudio Gonzalez-Vega. "The Iron Law of Interest Rate Restrictions: Agricultural Credit Policies in Costa Rica and Other Less Developed Countries." Ph.D. dissertation, Stanford University, 1976.

3.08 The ratios of credit to output.

The evolution of the ratios of credit to output can serve as an important indicator of the extent to which a financial system is serving a particular sector of the economy. In a country like Honduras, where the banking system dominates the financial system, the ratios of bank credit to output are an interesting index of the extent to which resources external to the firms are being mobilized from savers to investors. During the 1960s and the first half of the 1970s, the Honduran banking system experienced a remarkable growth, which is reflected in growing ratios of credit to output. This evolution has been reversed during the most recent years. The rate of expansion of the Honduran banking system has become negative, much ground has been lost, and declining ratios of credit to output confirm it.

In effect, the ratio of the portfolio of loans of the banking system, outstanding at the end of each year, to Gross Domestic Product at market prices, steadily increased, from 22.9 per-cent, in 1971, to 31.9 percent, in 1977. This is a remarkable growth. After 1977, however, this ratio declined continuously, to become 26.4 percent in 1980. A similar evolution results when Gross Domestic Product is measured at factor costs. The swing has been more pronounced in the case of the agricultural sector, on the other hand.

Table 10. Honduras. Ratios of the Portfolio of Loans of the Banking System Outstanding at the End of the Year to Gross Domestic Product, Total As Well As for The Agricultural and Industrial Sectors, 1970-1980.

Year	GDP at Market Prices	GDP at Factor Costs	GDP in Agriculture	GDP in Industry
1970	23.2	25.7	25.0	36.9
1971	22.9	25.2	25.7	38.5
1972	23.7	26.0	26.0	34.0
1973	26.3	28.9	26.8	35.7
1974	27.0	30.0	30.8	34.8
1975	30.3	33.6	36.6	37.5
1976	31.2	35.1	35.1	40.8
1977	31.9	36.9	33.1	41.3
1978	30.7	35.2	31.4	39.1
1979	29.1	33.2	29.3	34.5
1980	26.4	30.0	26.7	30.1

Source: Computed from credit data in Statistical Annex and output data from the Central Bank.

The ratio of the portfolio of outstanding agricultural loans of the banking system to the Gross Domestic Product generated in the sector increased from 25.0 percent, in 1970, to 36.6 percent, in 1975, and then declined to 26.7 percent, in 1980. This decline was more rapid than for the aggregate Gross Domestic Product.

The evolution of the ratios of the flow of new loans granted during the year to Gross Domestic Product shows an even more marked fluctuation. This ratio increased from 27.0 percent, in 1971, to 40.4 percent, in 1977, but then declined, to 26.3 percent, in 1980, when Gross Domestic Product is measured at market prices. Finally, the ratio of the flow of new agricultural loans to this sector's contribution to Gross Domestic Product increased from 27.2 percent, in 1970, to 43.4 percent, in 1977, but then declined to 20.1 percent. This is the most dramatic decline, experienced in a four years period. It suggests that the Honduran banking system is providing proportionately much less financing of the agricultural output than before.

The ratio of the portfolio of loans outstanding to gross value added has recently declined to a much greater extent in the case of loans for livestock than in the case of loans for crops. This ratio declined, in the case of livestock, from a peak of 82.6, for 1975, to 37.5, for 1980. The non-uniform granting of long-term investment loans

Table 11. Honduras. Ratios of the Flow of New Loans of the Banking System Granted During the Years to Gross Domestic Product, Total As Well As for the Agricultural and Industrial Sectors, 1970-1980.

Year	GDP at Market Prices	GDP at Factor Costs	GDP in Agriculture	GDP in Industry
1970	29.2	32.3	27.2	49.3
1971	27.0	29.8	26.7	46.0
1972	28.7	31.5	29.1	41.3
1973	30.9	34.0	27.3	47.7
1974	29.5	32.6	24.9	37.4
1975	32.2	35.8	27.4	40.1
1976	37.2	41.8	36.0	47.3
1977	40.4	46.7	43.4	52.7
1978	38.0	43.5	33.3	45.2
1979	35.1	40.1	31.5	41.1
1980	26.3	29.9	20.1	34.7

Source: Computed from credit data in the Statistical Annex and output data from the Central Bank.

Table 12. Honduras. Ratios of the Portfolio of Outstanding Agricultural Loans to Gross Value Added in This Sector, 1970-1980.

	1970	1975	1977	1980
Agriculture:	25.0	36.6	33.1	26.7
Crops:	18.9	34.0	31.3	30.5
Coffee	30.0	31.5	31.2	30.2
Sugar Cane	51.3	71.9	140.2	104.2
Basic Grains	14.9	38.5	34.3	42.6
Rice	45.2	108.2	116.1	136.6
Corn	15.0	31.4	26.8	28.2
Beans	7.3	18.3	14.3	15.4
Livestock	65.1	82.6	63.2	37.5

Source: Table F1 -- Statistical Annex.

through time, however, introduces an important bias in these ratios, that are based on the stock of credit. Another important bias is introduced by defaulted loans which are not written off. For these reasons, a better understanding of the situation is gained by looking at ratios computed on the basis of the flows, rather than the stocks, of credit.

The ratios of the flow of new loans for crops to the gross value added in crops increased from 22.5, in 1970, to 54.4, in 1977, but then declined to 24.4 in 1980. Notorious is the decline in the case of coffee, once the "coffee boom" was over. Also, the ratio reached a peak of 86.2, in 1972, in the case of livestock, showing a sharp decline, to 24.5, in 1980.

A comparison of the ratios with respect to the basic grains, as well as of their evolution, again illustrates the iron law of interest rate restrictions. Not only is the ratio much higher in the case of rice, mostly a commercial crop grown by large farmers; during the contraction, this ratio declined proportionately less than in the cases of corn and beans.

The ratios of credit to output are usually computed using a sector's contribution to Gross Domestic Product, i.e. value added, because of the availability of these data from the national income accounts. Credit, however, is required to finance total costs and not only those cost

Table 13. Honduras. Ratios of the Flow of New Agricultural Loans to Gross Value Added in Agriculture, 1970-1980.

	1970	1975	1977	1980
Agriculture:	27.3	27.4	43.4	20.1
Crops:	22.5	32.2	54.4	24.4
Coffee	65.6	45.7	110.8	31.4
Tobacco	36.6	51.9	42.9	76.9
Sugar Cane	41.8	63.6	175.7	67.6
Basic Grains	12.3	28.9	16.1	26.1
Rice	48.8	89.2	68.8	96.7
Corn	11.2	23.0	11.0	15.9
Beans	6.0	10.7	4.2	6.7
Livestock	62.1	56.2	28.9	24.5

Source: Table F2 -- Statistical Annex.

Table 14. Honduras. Ratios of the Portfolio of Outstanding Agricultural Loans to the Gross Value of the Agricultural Output, 1970-1980.

	1970	1975	1977	1980
Agriculture:	18.9	26.1	24.0	20.1
Crops:	15.0	24.1	22.7	20.2
Coffee	27.9	26.0	29.2	25.7
Sugar Cane	37.1	54.0	105.2	78.1
Basic Grains	13.5	33.4	29.7	36.2
Rice	40.7	97.4	104.4	116.1
Corn	13.5	26.7	22.7	24.0
Beans	6.6	16.4	12.9	13.1
Livestock	39.2	50.7	39.4	31.4

Source: Table F3 -- Statistical Annex.

Table 15. Honduras. Ratios of the Annual Flows of New Agricultural Loans Granted to the Gross Value of the Agricultural Output, 1970-1980.

	1970	1975	1977	1980
Agriculture:	20.6	19.5	31.4	15.2
Crops:	17.6	22.8	39.5	16.2
Coffee	60.1	37.6	103.9	26.7
Sugar Cane	32.0	47.7	131.8	50.7
Basic Grains	11.0	25.0	13.9	22.0
Rice	43.9	80.3	61.9	82.2
Corn	8.9	19.5	9.3	12.7
Beans	5.4	9.6	3.8	5.7
Livestock	37.3	22.2	17.8	20.5

Source: Table F4 -- Statistical Annex.

items included in one activity's value added. For this reason, it may be better to observe the evolution of the ratios of credit to the total value of the output of the sector.

The ratio of the portfolio of agricultural loans, outstanding at the end of the year, to the gross value of the agricultural output increased, from 18.9, for 1970, to 26.1, for 1975, and then declined to 20.1, for 1980. In the case of crops, this ratio increased from 15.0, for 1970, to 24.1, for 1975, and declined to 20.2, for 1980. In the case of livestock, it increased from 39.2, in 1970, to 50.7, in 1975, and then declined to 31.4, in 1980.

A similar, but more pronounced, evolution, can be observed with respect to the ratio of the flow of new loans granted during the year to the gross value of the agricultural output. This ratio increased from 20.6, for 1970, to 31.4, for 1977, and declined to 15.2, for 1980. That is, from this, which is the most important (and less biased) perspective, the ratio of credit to output was significantly lower at the end of the decade than at its beginning.

In summary, this important measure, the ratio of credit to output, portrays the significant contraction of agricultural credit volumes that has taken place in Honduras during the most recent years. The behavior of this ratio suggests that this contraction has been originated by a

contraction of the supply, rather than the demand. That is, as credit supplies have declined faster than output, the ratio has diminished, while the smaller supply may be one partial explanation of the stagnation or decline in output. The behavior of this ratio, combined with the evolution of other measures of credit availability, in real terms, shows that there is, at present, a significant credit shortage of agricultural credit in Honduras.

IV

BANADESA

Claudio Gonzalez-Vega

(With Annex on Savings Mobilization)

Robert Vogel

IV

BANADESA

4.01 The relative importance of BANADESA.

Banco Nacional de Desarrollo Agrícola (BANADESA) is a public development bank specialized in agricultural credit. In 1980 it replaced the bankrupt Banco Nacional de Fomento (BANAFOM). This bank had been created in 1950, for the purpose of providing development finance to all sectors of the economy. That is, BANAFOM did not start out as a specifically agricultural undertaking. Rather, BANAFOM became a mixture of a general commercial bank with a credit and promotion agency, particularly for the agricultural sector, serving both reformed and non-reformed clients. At the same time it participated in several firms as a shareholder (e.g. sugar mills), in the marketing of basic grain and in sales of agricultural inputs. This multiplicity of functions accentuated the usual shortcomings of a development bank as well as the potential conflicts among its objectives. Used also as a channel for political patronage, the evolution of the institution became increasingly chaotic.

With the Agricultural Credit and Storage Loan (018) of 1969 and the Agricultural Sector Loan (025) of 1974, BANAFOM became AID's chosen instrument of small farmer credit in Honduras. The first loan was for US\$ 9.5 million, and included US\$ 7.9 million for BANAFOM. In 1973, a further \$744,000 was channeled through this bank out of other 018 funds that had not been used. The second loan was for US\$ 12 million, which included US\$ 6.3 million for BANAFOM. More than US\$ 1 million of technical assistance accompanied these programs.

As time passed it became increasingly clear that BANAFOM's portfolio was being concentrated in the hands of a few large farmers. A 1967 evaluation reported that 13 percent of the number of borrowers accounted for 77 percent of the amounts loaned. Another 1970 evaluation reported that the largest 2 percent of the borrowers were receiving 50 percent of BANAFOM's credit. Also, its financial situation continuously deteriorated. By the late 1960s, delinquency was already high--25 percent, not counting refinancing. As a result, AID has invested substantial sums in evaluations and in technical assistance to this bank. The last and most ambitious evaluation was undertaken by a team led by Coopers and Lybrand and by American Technical Assistance Center. Its recommendations, combined with the reluctance of international agencies, to continue

funding the bank, led to its transformation into a strictly agricultural bank: BANADESA. The successor, however, was not given a fresh start. BANAFOM's decapitalized accounts and highly delinquent portfolio were merely transferred to the new institution.

During the 1970s, the relative importance of BANAFOM-and-BANADESA's portfolio of outstanding loans, with respect to the Honduran banking system, steadily declined, from 28.3 percent, in 1971, to 12.5 percent, in 1980. The relative importance of this bank became particularly low after 1976. On the other hand, the contribution of BANAFOM and BANADESA to the banking system's portfolio of outstanding agricultural loans increased from 49.8 percent, in 1970, to 54.0 percent, in 1975, and then declined to 39.7 percent, in 1980, the lowest proportion in two decades. While the relative importance of this bank, with respect to the portfolio of outstanding loans for crops, increased from 56.6 percent, in 1970, to 60.7 percent, in 1974, declined to 42.9 percent, in 1977, and slightly increased to 45.0 percent, in 1980; its relative importance, with respect to their portfolio of livestock loans, steadily declined, from 57.4 percent, in 1972, to 34.5 percent, in 1980.

At the end of 1980, BANADESA's portfolio represented over one half of the balances of the banking system only with respect to cotton and the basic grains. It represented

Table 1. Honduras. BANAFOM and BANADESA. Loans Outstanding
At the End of the Year. Proportion Represented with
Respect to The Banking System, 1970-1980 (Percentages).

	1970	1975	1980
Agriculture:	49.8	54.0	39.7
Crops:	26.6	59.5	45.0
Coffee	36.1	39.2	41.3
Tobacco	73.0	57.0	17.0
Cotton	84.6	96.0	69.2
Sugar Cane	50.5	38.0	25.9
Basic Grains	64.1	72.7	66.0
Rice	30.2	55.1	41.2
Corn	72.2	80.8	90.6
Beans	73.8	93.1	93.5
Livestock	56.6	56.1	34.5
Industry	11.9	9.6	4.2
Total	20.6	20.0	12.5

Source: Table 52 -- Statistical Annex.

over 90 percent in the cases of corn and beans. Coffee balances had represented 58.5 percent of the total for the banking system in 1974, but in 1980 BANADESA contributed only 41.3 percent. During the "coffee boom", in 1977, BANAFOM's relative importance with respect to the portfolio of coffee loans had declined to 31.2 percent. The relative importance with respect to the portfolio of coffee loans had declined to 31.2 percent. The relative importance of these banks with respect to the portfolio of tobacco loans declined dramatically from 78.6 percent, in 1971, to 17.0 percent, in 1980. This reflects the vigorous participation of the private commercial banks in this activity. Even in the case of basic grains the relative importance of this bank declined from 81.6 percent, in 1972, to 66.0 percent, in 1980. This has been due mostly to the involvement of the private commercial banks in credit for rice production.

With respect to the flow of new loans granted by the banking system, the relative importance of BANAFOM and BANADESA declined from 20.8 percent, in 1965, to 7.5 percent, in 1980. This is a more rapid reduction in relative importance than with respect to the portfolio of outstanding loans and it may reflect the fact that in the past BANAFOM granted a larger proportion of long term credit than the commercial banks, as well as the accumulation of delinquent accounts in BANAFOM and BANADESA.

Table 2. Honduras. BANAFOM and BANADESA. New Loans Granted During the Year.^{1/} Proportion Represented with Respect to the Banking System, 1965-1980 (Percentages).

	1965	1970	1975	1980
Agriculture:	59.8	25.4	36.5	27.5
Crops:	60.6	26.5	41.6	33.8
Coffee	42.6	15.2	20.1	34.8
Tobacco	77.0	46.4	23.9	0.9
Cotton	75.0	85.4	98.1	67.2
Sugar Cane	n.a.	23.1	18.0	12.1
Basic Grains	n.a.	43.7	68.8	50.1
Rice	n.a.	11.9	52.9	20.5
Corn	n.a.	55.1	78.1	91.0
Beans	n.a.	53.8	88.0	87.6
Livestock	57.2	29.7	35.7	9.8
Industry	13.8	6.2	3.2	3.3
Total	20.8	9.7	9.4	7.5

^{1/}With respect to amounts actually disbursed by BANAFOM and BANADESA.

Source: Table 63 -- Statistical Annex.

With respect to the annual flow of new agricultural loans, the relative importance of BANAFOM and BANADESA declined from 59.8 percent, in 1965, to 24.4 percent in 1971. Afterwards it increased, to 36.5 percent, in 1975, to decline the following year to 19.0 percent. It finally represented 27.5 percent, in 1980. These sharp fluctuations in relative importance have reflected the erratic availability of funds from international agencies and of capital contributions from the Government of Honduras.

While in 1965, BANAFOM granted 60.6 percent of the banking system's new loans for crops, in 1980 this proportion was only 33.8 percent. In between this relative contribution fluctuated, reaching a low 20.7 percent in 1976. The relative contribution of this bank to the flow of new livestock loans declined steadily, from 57.2 percent, in 1965, to 9.8 percent, in 1980. This reflects the active participation of the private commercial banks in the World Bank-funded, Central Bank-administered livestock program. The relative contribution with respect to new loans for coffee declined from 42.6 percent, in 1965, to 13.8 percent, in 1976, but then increased, to 34.8 percent, in 1980, as the commercial banks became more reluctant to finance coffee. Its relative importance with respect to the flow of new loans for basic grains also declined, from 93.8 percent, in 1968, to 50.1 percent, in 1980, while its contribution to new livestock loans decreased from 57.2 percent, in 1965, to 9.8 percent, in 1980.

4.02 The importance of agricultural credit in BANADESA.

Agricultural credit has always represented over three-quarters of BANAFOM-and-BANADESA's portfolio of outstanding loans. After 1975, the bank has devoted over 85 percent of its portfolio to the agricultural sector. An increasing proportion of this bank's portfolio has been devoted to crops, and a declining share to livestock. The relative importance of crops in the portfolio augmented from 39.3 percent, in 1973, to 69.9 percent, in 1980. The relative importance of livestock balances diminished, from 39.9 percent, in 1973, to 16.2 percent, in 1980. Coffee, cotton and basic grains have received the largest individual shares among the crops. These three shares have increased in the most recent years.

In connection with the annual flow of new loans one must distinguish between "montos aprobados" (disbursed loans). Agriculture has represented over 70 percent of the total flow of disbursed loans. This share has experienced a fluctuating evolution, reflecting to some extent the availability of funds from alternative sources. The share of crops declined from 70.6 percent, in 1965, to 42.3 percent, in 1973, and then increased, to 70.6 percent, in 1980. The share of livestock increased from 14.1 percent, in 1965, to 34.7 percent, in 1972, and then declined to 5.0 percent, in 1980. The share of basic grains was unusually high in 1975 and 1976, but then declined again.

Table 3. Honduras. BANAFOM and BANADESA. Loans Outstanding At the End of the Year, by Activity Financed, 1970-1980 (Percentages).

	1970	1975	1980
Agriculture:	76.4	84.4	87.0
Crops:	40.7	49.3	69.9
Coffee	8.2	7.0	19.6
Tobacco	5.7	3.5	1.7
Cotton	10.4	7.4	10.0
Basic Grains:	8.5	17.1	20.4
Corn	6.5	10.1	12.0
Livestock	34.5	33.4	16.2
Industry	13.4	9.9	6.5

Source: Table 53 -- Statistical Annex.

Table 4. Honduras. BANAFOM and BANADESA. New Loans Granted During the Year, by Activity Financed, 1965-1980^{1/} (Percentages).

	1965	1970	1975	1980
Agriculture:	85.9	71.6	84.9	76.2
Crops:	70.6	41.3	65.0	70.6
Coffee	11.7	12.5	10.3	28.8
Cotton	45.6	10.5	11.6	12.3
Basic Grains	6.3	8.0	24.2	15.9
Livestock	14.1	29.0	18.5	10.1
Industry	11.0	15.6	7.0	8.7

^{1/}Amounts actually disbursed.

Source: Table 62 -- Statistical Annex.

4.03 The volumes of credit in real terms.

BANADESA has experienced the contraction in real credit volumes that has characterized the Honduran banking system in the most recent years. In constant 1966 Lempiras, its portfolio declined from 88.6 million, in 1975, to 71.3 million, in 1980. In turn, its agricultural portfolio declined from 75.0 million, in 1976, to 62.0 million, in 1980. While the portfolio of credit for crops maintained its value, in real terms, the portfolio of livestock loans declined from 31.0 millions of constant 1966 Lempiras, in 1973, to 11.6 millions, in 1980.

A similar contraction has taken place with respect to the flow of new loans, in real terms, during 1980. In effect, this flow increased steadily to reach 61.1 millions of constant 1966 Lempiras, in 1979, but then dropped to 43.8 million, during 1980. In real terms, the flow of new agricultural loans declined from 52.9 millions of 1966 Lempiras, in 1979, to 33.4 millions, in 1980. In the case of crops, this flow diminished from 48.5 millions, to 30.9, at the same time. The reduction affected all the crops except corn and beans. In effect, between these two year, in real terms BANADESA's credit for coffee declined by 54.5 percent; its credit for tobacco declined by 35.3 percent; its credit for cotton declined by 35.1 percent; its credit for sugar can declined by 48.4 percent; its

credit for rice declined by 24.3 percent; and its credit for livestock declined by 46.8 percent. In general, agricultural credit diminished more rapidly than BANADESA's total flow of credit.

4.04 The number of loans.

While the number of loans granted each year does not necessarily coincide with the number of clients reached, its evolution is a proxy for the extent to which the bank is providing access to formal credit to various clienteles. The main problem with these figures are loans to reformed groups. In these cases, one loan reaches many farmers.

By far the largest proportion of the number of loans is for crops and, among these, for basic grains. While the number of loans increased during the first half of the 1970s, it declined during the second half, in general. Particularly dramatic has been the reduction in the number of livestock loans.

While the number of loans has been large, BANADESA's portfolio has been concentrated in a few hands. In 1980, less than 3 percent of the number of borrowers received 64 percent of the amounts granted. The same year, 12 percent of the borrowers received 82 percent of the amounts loaned. In 1970, on the other hand, 17.5 percent of the number of loans had corresponded to 83.5 percent of the amount.

Table 5. Honduras. BANAFOM and BANADESA. Loans Outstanding and New Loans, in Real Terms. Millions of Constant 1966 Lempiras, 1968-1980.

	1968	1971	1974	1977	1980
Loans Outstanding:		64.8	81.6	76.9	71.3
Agriculture:		53.0	67.4	67.7	62.0
Crops		28.6	36.0	44.3	49.8
Livestock		23.4	30.0	22.2	11.6
New Loans:	34.1	34.9	45.5	52.4	43.8
Agriculture:	25.5	26.7	35.0	48.1	33.4
Crops	16.7	15.6	23.9	41.4	30.9
Livestock	8.5	10.7	10.7	6.5	2.2

Source: Tables 54 and 64 -- Statistical Annex.

Table 6. Honduras. BANAFOM and BANADESA. Number of New Loans Granted During the Year, 1970-1980.

	1970	1975	1980
Agriculture:	26,346	88,682	48,343
Crops:	18,654	80,439	47,158
Coffee	5,456	5,685	10,510
Cotton	158	614	935
Sugar Cane	683	1,598	1,120
Basic Grains	11,273	65,435	30,168
Rice	955	9,163	4,868
Corn	7,302	38,108	18,382
Beans	3,016	18,164	6,918
Livestock	7,569	8,014	1,113
Total	27,386	90,634	48,845

Source: Table 58 -- Statistical Annex.

4.05 The sources of funds.

The relative importance of BANADESA's three sources of funds has fluctuated much during the 1970s. At the beginning of the decade, BANADESA's own resources (deposits, loans from private banks and capital) accounted for three-quarters of its loanable funds. International agencies provided the rest. (See Tables 66 and 67 of the Statistical Annex). The importance of BANADESA's own resources declined during the first half of the decade, while the Central Bank funds and those from international agencies augmented their importance. The contributions from the Central Bank have been particularly crucial towards the end of the decade. In 1980, BANADESA's own funds contributed 34.7 percent of the total, the Central Bank contributed 40.5 percent and the international agencies contributed 24.8 percent.

Table 7. Honduras. BANAFOM and BANADESA. Portfolio of Outstanding Loans, According to Sources of Funds, 1970-1980 (Percentages).

	1970	1975	1980
BANADESA	75.8	39.8	34.7
Central Bank	--	20.0	40.5
International Agencies	24.2	40.2	24.8
AID	9.8	9.2	8.8

Source: Table 67 -- Statistical Annex.

STATISTICAL ANNEX, Chapters I through IV

(74 Tables)

TABLE 1. HONDURAS: BANKING SYSTEM. LOANS OUTSTANDING AT THE END OF THE YEAR, BY
ACTIVITY FINANCED ('000 LEMPIRAS), 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	106,155	116,831	129,190	149,761	176,191	208,999	244,812	287,146	314,966	351,112	369,361
Crops	53,663	59,303	59,640	64,692	83,194	110,943	139,323	177,060	200,667	238,076	261,846
Bananas	1,127	779	1,261	894	1,672	2,984	2,589	2,154	1,875	1,673	1,395
Coffee	15,737	19,103	15,992	14,409	21,860	23,785	40,900	60,841	61,680	87,699	79,928
Tobacco	5,425	5,043	5,791	6,009	7,384	8,233	8,074	8,260	14,807	15,058	16,955
Cotton	8,516	8,584	10,429	10,105	13,000	10,353	10,599	16,754	18,915	21,169	24,247
Sugar cane	5,155	6,149	5,707	7,484	7,441	11,491	20,110	32,431	38,180	38,648	42,470
Basic grains	9,173	10,710	11,520	13,662	18,536	31,459	32,976	31,165	38,026	41,577	51,996
Rice	1,803	2,588	3,260	4,517	5,495	11,495	10,779	11,864	16,150	18,225	26,038
Corn	6,196	6,787	6,881	7,209	10,279	16,679	19,232	16,671	19,110	20,720	22,263
Beans	1,174	1,335	1,379	1,936	2,762	3,285	2,965	2,630	2,766	2,632	3,695
Other	8,530	8,935	8,940	12,129	13,301	22,638	24,075	25,455	27,184	32,252	44,855
Livestock	41,999	47,655	56,267	68,635	76,347	79,649	76,820	74,019	74,713	78,826	79,238
Other	10,493	9,873	13,283	16,434	16,650	18,407	28,669	36,067	39,586	34,210	28,277
Poultry	2,667	2,498	3,064	3,273	3,689	5,366	6,000	6,993	6,521	5,249	5,215
Forestry	2,658	2,457	3,071	4,261	3,145	1,630	2,142	2,483	2,554	2,465	2,378
Honey	46	79	105	279	461	606	704	912	725	760	878
Fishing	5,122	4,839	7,043	8,621	9,355	10,805	19,823	25,679	29,786	25,736	19,806
INDUSTRY	77,942	86,951	84,324	102,790	119,709	137,805	167,841	202,556	234,566	246,410	258,274
SERVICES	23,283	26,247	22,662	28,742	49,736	64,813	70,949	107,685	114,674	174,034	178,366
REAL ESTATE	54,654	60,113	73,264	89,041	105,894	124,319	138,188	170,531	187,552	228,795	260,679
COMMERCE	52,827	45,466	65,286	92,311	83,161	104,781	146,460	176,828	219,155	204,881	220,408
CONSUMPTION	18,349	17,329	23,258	25,287	21,449	25,245	29,827	35,271	41,006	46,797	50,378
OTHER	2,271	1,862	1,755	1,774	3,407	3,824	5,158	4,635	5,177	7,105	9,811
TOTAL	335,481	354,799	399,741	489,706	559,547	669,786	803,235	984,652	1,117,096	1,259,134	1,347,277

SOURCE: Banco Central de Honduras: Boletín Estadístico Mensual. Several years.

TABLE 2. HONDURAS: BANKING SYSTEM. LOANS OUTSTANDING AT THE END OF THE YEAR,
BY ACTIVITY FINANCED ('000 LEMPIRAS), 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	12,928	14,563	18,637	23,590	30,147	40,609	50,843	60,965	74,539	90,687	106,155
Crops	10,361	11,425	13,406	15,814	20,503	27,723	34,152	39,582	41,867	50,641	53,663
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	347	744	1,127
Coffee	4,248	4,794	4,620	5,363	6,343	7,644	10,327	12,250	12,065	13,299	15,737
Tobacco	-----	-----	-----	-----	-----	-----	-----	3,945	4,836	4,839	5,425
Cotton	2,682	3,223	5,293	6,071	8,628	11,532	10,423	10,072	10,056	14,392	8,516
Sugar cane	-----	-----	-----	-----	-----	-----	-----	-----	4,080	5,357	5,155
Basic grains	-----	-----	-----	-----	-----	-----	-----	-----	6,945	7,396	9,173
Rice	-----	-----	-----	-----	-----	-----	-----	-----	1,083	963	1,803
Corn	-----	-----	-----	-----	-----	-----	-----	-----	5,048	5,603	6,196
Beans	-----	-----	-----	-----	-----	-----	-----	-----	814	830	1,174
Other	3,431	3,408	3,493	4,380	5,532	8,547	13,402	13,315	3,538	4,614	8,530
Livestock	2,567	3,138	5,146	7,508	9,150	12,136	15,608	19,990	27,382	34,301	41,999
Other	-----	-----	85	268	494	750	1,083	1,393	5,290	5,745	10,493
Poultry	-----	-----	85	268	494	750	1,083	1,393	1,981	1,822	2,667
Forestry	-----	-----	-----	-----	-----	-----	-----	-----	2,744	2,084	2,658
Honey	-----	-----	-----	-----	-----	-----	-----	-----	39	34	46
Fishing	-----	-----	-----	-----	-----	-----	-----	-----	526	1,805	5,122
INDUSTRY	6,360	7,435	7,100	9,312	13,700	21,483	31,202	38,349	45,858	59,760	77,942
SERVICES	2,862	3,330	4,578	4,281	5,691	9,434	12,338	13,593	20,218	23,593	23,283
REAL ESTATE	22,905	23,084	20,280	18,998	19,910	21,938	25,138	31,291	39,428	49,497	54,654
COMMERCE	16,263	17,501	20,385	23,124	25,593	29,787	36,168	48,868	38,698	47,603	52,827
CONSUMPTION	3,706	3,773	4,843	4,091	4,550	5,803	8,347	12,878	11,931	14,695	18,349
OTHER	-----	-----	-----	-----	-----	-----	-----	-----	2,386	2,298	2,271
TOTAL	65,024	69,686	75,823	83,396	99,591	129,054	164,036	206,444	233,058	288,133	335,481

SOURCE: Banco Central de Honduras: Boletín Estadístico Mensual. Several years.

TABLE 3. HONDURAS: COMMERCIAL BANKS. LOANS OUTSTANDING AT THE END OF THE YEAR, BY ACTIVITY FINANCED ('000 LEMPIRAS), 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	45,523	56,373	58,488	68,992	78,322	94,886	119,100	155,053	171,631	193,754	201,414
Crops	23,405	26,196	23,151	25,331	29,967	44,535	55,857	85,154	93,052	112,801	122,714
Bananas	1,080	737	945	580	1,358	2,670	2,034	1,840	1,561	1,359	1,081
Coffee	9,636	11,232	8,662	6,622	9,079	14,335	23,472	41,869	37,263	49,096	46,918
Tobacco	1,434	1,078	1,792	1,754	2,543	3,538	3,772	4,351	11,435	11,938	14,065
Cotton	858	687	731	380	590	407	1,250	4,741	5,366	8,335	7,456
Sugar cane	2,391	3,358	3,331	4,664	3,961	7,070	10,124	12,836	13,251	13,734	20,161
Basic grains	2,717	3,509	3,115	4,587	5,189	8,581	6,396	6,932	10,991	13,074	17,660
Rice	1,171	1,802	1,231	2,243	2,714	5,159	3,573	4,888	8,701	9,293	15,320
Corn	1,243	1,447	1,643	1,844	2,176	3,196	2,670	1,851	2,160	3,675	2,099
Beans	303	260	241	500	299	226	153	193	130	106	241
Other	5,289	5,595	4,575	6,744	7,247	7,934	8,809	12,585	12,695	15,265	15,373
Livestock	15,002	21,472	23,633	29,069	33,606	34,339	36,689	35,834	40,545	48,188	51,924
Other	7,116	8,705	11,704	14,592	14,749	16,012	26,554	34,015	38,024	32,765	26,776
Poultry	1,852	1,475	1,666	1,752	2,271	3,547	4,517	5,599	5,584	4,366	4,416
Forestry	2,646	2,439	3,033	4,217	3,097	1,583	2,096	2,427	2,495	2,356	2,309
Honey	22	40	39	59	76	141	215	408	247	328	422
Fishing	2,596	4,751	6,966	8,564	9,305	10,741	19,726	25,581	29,698	25,675	19,629
INDUSTRY	52,586	75,497	72,132	89,588	105,291	121,631	143,185	150,262	154,871	154,193	148,771
SERVICES	20,054	25,193	21,303	27,164	46,729	59,780	64,586	93,881	99,702	142,738	128,307
REAL ESTATE	45,770	52,882	57,489	66,649	78,325	86,522	110,933	128,360	134,061	151,796	148,806
COMMERCE	45,283	42,966	62,167	86,714	76,848	98,216	143,447	172,799	216,194	202,194	215,721
CONSUMPTION	17,976	16,891	22,624	24,331	20,296	23,246	28,590	33,724	38,146	39,176	38,591
OTHER	2,246	1,862	1,755	1,774	3,407	3,824	4,258	4,635	5,177	7,105	9,811
TOTAL	229,438	271,664	295,958	365,212	409,218	488,105	614,099	738,714	819,782	890,956	891,421

SOURCE: Banco Central de Honduras: Boletín Estadístico Mensual. Several years.

TABLE 4. HONDURAS: COMMERCIAL BANKS. LOANS OUTSTANDING AT THE END OF THE YEAR, BY ACTIVITY FINANCED (1000 LEMPIRAS), 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	5,302	6,391	6,499	7,918	9,121	12,280	16,955	18,771	27,784	33,521	45,523
Crops	4,480	5,160	4,532	5,707	6,826	9,217	12,836	13,576	15,703	18,676	23,405
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	305	696	1,080
Coffee	2,049	2,705	2,176	2,806	3,266	4,141	6,005	6,438	6,303	7,752	9,636
Tobacco	-----	-----	-----	-----	-----	-----	-----	378	645	1,123	1,434
Cotton	96	378	348	643	1,434	2,019	1,567	1,558	1,530	1,651	858
Sugar cane	-----	-----	-----	-----	-----	-----	-----	-----	2,500	2,780	2,391
Basic grains	-----	-----	-----	-----	-----	-----	-----	-----	1,990	2,152	2,717
Rice	-----	-----	-----	-----	-----	-----	-----	-----	608	479	1,171
Corn	-----	-----	-----	-----	-----	-----	-----	-----	1,206	1,516	1,243
Beans	-----	-----	-----	-----	-----	-----	-----	-----	176	157	303
Other	2,335	2,077	2,008	2,258	2,126	3,057	5,264	5,202	2,430	2,522	5,289
Livestock	822	1,231	1,926	2,032	2,056	2,736	3,584	4,836	7,419	10,930	15,002
Other	-----	-----	41	179	239	327	535	809	4,662	3,915	7,116
Poultry	-----	-----	41	179	239	327	535	809	1,447	1,326	1,852
Forestry	-----	-----	-----	-----	-----	-----	-----	-----	2,742	2,076	2,646
Honey	-----	-----	-----	-----	-----	-----	-----	-----	21	15	22
Fishing	-----	-----	-----	-----	-----	-----	-----	-----	452	498	2,596
INDUSTRY	5,340	6,517	5,616	7,533	10,529	13,544	17,276	22,113	27,149	38,935	52,586
SERVICES	2,802	3,251	4,293	3,916	5,449	7,553	10,292	11,910	17,997	20,545	20,054
REAL ESTATE	10,206	9,596	9,369	8,882	10,325	12,233	14,314	18,476	31,734	42,030	45,770
COMMERCE	16,038	17,200	19,944	22,620	24,728	29,578	34,746	47,312	36,108	42,855	45,283
CONSUMPTION	2,774	2,191	3,251	2,670	2,992	3,785	4,983	7,082	10,719	14,254	17,976
OTHER	-----	-----	-----	-----	-----	-----	-----	-----	1,370	2,244	2,246
TOTAL	41,962	45,146	48,972	53,539	63,144	77,973	98,566	125,664	152,861	194,384	229,438

SOURCE: Banco Central de Honduras: Boletín Estadístico Mensual. Several years.

TABLE 5. HONDURAS: DEVELOPMENT BANKS. LOANS OUTSTANDING AT THE END OF THE YEAR, BY ACTIVITY FINANCED ('000 LEMPIRAS), 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	53,689	60,110	70,151	80,181	97,162	112,980	125,712	132,093	143,335	157,358	167,947
Crops	28,785	32,807	36,189	39,351	53,219	65,984	83,466	91,906	107,605	125,275	139,132
Bananas	47	42	316	314	314	314	555	314	314	314	314
Coffee	5,701	7,571	7,030	7,787	12,781	9,324	17,428	18,972	24,417	38,603	33,010
Tobacco	3,959	3,965	3,999	4,255	4,841	4,695	4,302	3,909	3,372	3,120	2,890
Cotton	7,658	7,897	9,698	9,725	12,410	9,946	9,349	12,013	13,049	12,834	16,791
Sugar cane	2,602	2,791	2,376	2,820	3,480	4,370	9,986	19,595	24,929	24,914	22,309
Basic grains	5,901	7,201	8,405	9,075	13,347	22,873	26,580	24,233	27,035	28,503	34,336
Rice	544	786	2,029	2,274	2,781	6,331	7,206	6,976	7,449	8,932	10,718
Corn	4,486	5,340	5,238	5,365	8,103	13,483	16,562	14,820	16,950	17,045	20,164
Beans	871	1,075	1,138	1,436	2,463	3,059	2,812	2,437	2,636	2,526	3,454
Other	2,917	3,340	4,365	5,375	6,046	14,462	15,266	12,870	14,489	16,987	29,482
Livestock	24,021	26,147	32,383	39,008	42,042	44,680	40,131	38,135	34,168	30,638	27,314
Other	883	1,156	1,579	1,822	1,901	2,316	2,115	2,052	1,562	1,445	1,501
Poultry	768	1,011	1,398	1,501	1,418	1,740	1,483	1,394	937	883	799
Forestry	12	18	38	44	48	47	46	56	59	69	69
Honey	24	39	66	220	385	465	489	504	478	432	456
Fishing	79	88	77	57	50	64	97	98	88	61	177
INDUSTRY	10,506	11,250	12,001	13,039	13,827	14,428	24,656	52,294	79,695	92,217	109,503
SERVICES	943	1,024	1,019	1,122	2,715	3,656	6,363	13,804	14,722	31,296	50,050
REAL ESTATE	5,423	1,135	1,094	778	805	932	825	845	1,269	1,774	2,118
COMMERCE	2,225	2,476	2,808	5,062	4,740	3,841	3,013	4,029	2,957	2,687	4,687
CONSUMPTION	318	362	373	200	108	118	96	92	176	260	369
OTHER	-----	-----	-----	-----	-----	-----	900	-----	-----	-----	-----
TOTAL	73,104	76,357	87,446	100,382	119,357	135,955	161,565	203,157	242,154	285,592	334,683

SOURCE: Banco Central de Honduras: Boletín Estadístico Mensual. Several years.

TABLE 6. HONDURAS: DEVELOPMENT BANKS. LOANS OUTSTANDING AT THE END OF THE YEAR, BY ACTIVITY FINANCED ('000 LEMPIRAS), 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	7,609	8,149	12,116	15,616	20,786	27,202	32,365	39,947	43,707	52,192	53,689
Crops	5,864	6,242	8,861	10,056	13,517	18,187	20,906	25,570	25,766	31,400	28,785
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	42	48	47
Coffee	2,191	2,083	2,431	2,546	3,068	3,496	4,294	5,798	5,762	5,547	5,701
Tobacco	-----	-----	-----	-----	-----	-----	-----	3,567	4,191	3,716	3,959
Cotton	2,586	2,828	4,945	5,388	7,129	9,470	8,823	8,486	8,526	12,741	7,658
Sugar cane	-----	-----	-----	-----	-----	-----	-----	-----	1,489	2,383	2,602
Basic grains	-----	-----	-----	-----	-----	-----	-----	-----	4,827	5,258	5,901
Rice	-----	-----	-----	-----	-----	-----	-----	-----	475	484	544
Corn	-----	-----	-----	-----	-----	-----	-----	-----	3,714	4,001	4,486
Beans	-----	-----	-----	-----	-----	-----	-----	-----	638	673	871
Other	1,087	1,331	1,485	2,122	3,320	5,221	7,789	7,719	929	1,807	2,917
Livestock	1,745	1,907	3,211	5,471	7,018	8,602	10,918	13,806	17,422	20,276	24,021
Other	-----	-----	44	89	251	413	541	571	519	516	883
Poultry	-----	-----	44	89	251	413	541	571	493	469	768
Forestry	-----	-----	-----	-----	-----	-----	-----	-----	2	8	12
Honey	-----	-----	-----	-----	-----	-----	-----	-----	18	19	24
Fishing	-----	-----	-----	-----	-----	-----	-----	-----	6	20	79
INDUSTRY	968	879	1,411	1,736	1,840	3,651	4,778	6,034	6,655	6,891	10,506
SERVICES	10	37	250	331	117	605	752	591	313	596	943
REAL ESTATE	3,322	3,675	1,496	1,391	1,256	1,171	1,572	2,302	3,748	5,058	5,423
COMMERCE	96	194	348	353	411	463	811	1,029	1,119	2,274	2,225
CONSUMPTION	17	3	9	4	5	129	475	956	1,212	426	318
OTHER	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL	12,022	12,937	15,630	19,431	24,415	33,221	40,753	50,859	56,754	67,437	73,104

SOURCE: Banco Central de Honduras: Boletín Estadístico Mensual. Several years.

TABLE 7. HONDURAS: BANKING SYSTEM. NEW LOANS GRANTED DURING THE YEAR, BY ACTIVITY FINANCED ('000 LEMPIRAS), 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	115,671	121,310	144,500	153,143	142,811	156,395	251,238	376,064	333,552	376,668	278,587
Crops	63,989	61,918	60,964	71,521	74,146	105,005	184,383	307,974	264,990	283,620	209,820
Bananas	948	981	1,170	1,361	1,506	2,644	1,816	997	195	821	463
Coffee	33,829	33,469	28,677	34,333	30,769	34,486	128,056	216,024	171,301	147,359	83,182
Tobacco	2,447	1,095	4,835	3,808	3,996	4,936	4,672	6,413	13,299	26,065	15,813
Cotton	5,029	3,263	5,642	7,871	10,180	7,924	4,588	21,904	17,423	23,365	18,449
Sugar cane	4,284	5,097	4,202	6,086	5,379	10,152	15,759	40,639	20,056	36,883	27,566
Basic grains	7,510	7,628	8,428	8,158	12,526	23,603	16,824	14,650	22,485	23,999	31,876
Rice	1,946	2,491	2,702	2,801	3,897	9,480	5,225	7,034	11,192	14,352	18,428
Corn	4,607	4,254	4,626	4,403	6,863	12,196	10,572	6,835	10,214	8,672	11,826
Beans	957	883	1,100	954	1,766	1,927	1,027	781	1,079	975	1,622
Other	9,942	9,575	8,010	9,904	9,790	21,260	12,668	17,347	20,231	25,128	32,471
Livestock	40,070	47,288	68,828	63,159	51,674	34,892	34,453	33,769	38,727	61,371	51,821
Other	11,612	12,104	14,708	18,463	16,991	16,498	32,402	34,321	28,835	31,673	16,946
Poultry	2,657	2,461	3,013	2,961	3,127	5,458	6,019	8,606	7,243	4,836	5,440
Forestry	3,628	5,163	6,834	7,604	6,684	4,614	3,445	2,954	3,336	3,510	2,419
Honey	57	81	143	309	301	366	571	722	361	460	714
Fishing	5,270	4,399	4,718	7,589	6,879	6,060	22,367	22,039	17,895	22,867	8,373
INDUSTRY	103,982	103,885	102,403	137,285	128,654	147,062	194,336	258,016	271,197	293,984	262,787
SERVICES	28,924	34,876	27,766	31,550	65,256	86,546	88,327	121,715	131,158	203,446	224,735
REAL ESTATE	56,865	60,290	65,216	70,719	70,999	83,680	96,377	112,237	112,641	137,753	123,002
COMMERCE	85,016	71,044	109,054	146,998	169,949	203,851	280,677	323,646	472,958	439,783	376,462
CONSUMPTION	29,000	25,877	33,187	35,353	31,219	32,751	42,186	50,227	56,641	61,872	66,586
OTHER	2,169	1,874	1,787	1,528	2,868	2,506	4,764	5,507	5,608	7,524	11,415
TOTAL	422,527	419,156	483,913	576,576	611,756	712,791	957,905	1,247,412	1,382,750	1,521,030	1,343,574

SOURCE: Banco Central de Honduras: Boletín Estadístico Mensual. Several years.

TABLE 8. HONDURAS: BANKING SYSTEM. NEW LOANS GRANTED DURING THE YEAR, BY ACTIVITY FINANCED ('000 LEMPIRAS), 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	10,796	11,595	18,851	25,678	32,954	44,627	49,382	51,512	60,098	83,573	115,671
Crops	9,271	9,048	14,100	19,018	26,123	36,216	38,055	35,649	35,935	50,646	63,989
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	335	716	948
Coffee	4,345	4,188	5,582	6,360	7,419	8,528	9,766	10,700	12,487	24,407	33,829
Tobacco	-----	-----	-----	-----	1,462	1,741	3,000	3,799	1,935	2,106	2,447
Cotton	2,609	2,593	5,220	8,212	12,338	18,727	14,620	10,718	10,199	8,202	5,029
Sugar cane	-----	-----	-----	-----	-----	-----	3,957	1,725	1,741	3,930	4,284
Basic grains	-----	-----	-----	-----	-----	-----	3,743	4,634	3,274	5,525	7,510
Rice	-----	-----	-----	-----	-----	-----	948	1,459	854	940	1,946
Corn	-----	-----	-----	-----	-----	-----	2,166	2,570	2,036	4,026	4,607
Beans	-----	-----	-----	-----	-----	-----	629	605	384	559	957
Other	2,317	2,267	3,298	4,446	4,904	7,220	2,969	4,073	5,964	5,760	9,942
Livestock	1,525	2,547	4,698	6,337	6,259	7,692	10,230	14,199	18,342	24,792	40,070
Other	-----	-----	53	323	572	719	1,097	1,664	5,821	8,135	11,612
Poultry	-----	-----	53	323	572	719	1,097	1,664	2,753	2,123	2,657
Forestry	-----	-----	-----	-----	-----	-----	-----	-----	2,482	3,883	3,628
Honey	-----	-----	-----	-----	-----	-----	-----	-----	24	42	57
Fishing	-----	-----	-----	-----	-----	-----	-----	-----	562	2,087	5,270
INDUSTRY	6,440	8,528	9,208	11,422	16,472	24,810	31,078	47,286	51,926	75,338	103,922
SERVICES	4,694	4,813	7,302	5,837	8,019	12,965	15,745	17,322	20,894	27,995	28,924
REAL ESTATE	10,409	9,941	9,576	8,005	10,191	13,982	17,050	26,390	31,825	41,009	56,865
COMMERCE	24,931	25,417	29,274	30,555	37,815	45,126	54,368	73,828	60,867	72,279	85,016
CONSUMPTION	4,380	4,618	6,107	5,205	6,584	8,330	12,581	19,887	18,492	24,273	29,900
OTHER	-----	-----	-----	-----	-----	-----	-----	-----	1,483	2,430	2,169
TOTAL	61,650	64,912	80,048	86,702	112,035	149,840	180,225	236,225	245,585	326,897	422,527

SOURCE: Banco Central de Honduras: Boletín Estadístico Mensual. Several years.

TABLE 9. HONDURAS: COMMERCIAL BANKS. NEW LOANS GRANTED DURING THE YEAR, BY ACTIVITY FINANCED ('000 LEMPIRAS), 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	80,915	88,045	101,392	93,985	93,813	97,896	192,951	270,118	242,491	263,130	190,573
Crops	45,033	42,775	36,498	40,754	41,519	60,476	137,626	213,309	183,436	178,374	127,096
Bananas	936	977	1,167	1,268	1,506	2,644	1,546	997	195	821	463
Coffee	27,880	26,178	21,565	25,374	21,115	27,404	109,349	165,761	125,685	93,818	54,323
Tobacco	1,310	924	1,945	2,249	2,455	3,698	4,028	6,315	13,160	25,979	15,674
Cotton	731	184	440	175	352	152	1,226	5,133	5,908	7,407	6,329
Sugar cane	3,181	3,501	3,112	3,789	4,071	7,975	7,923	13,658	12,960	20,938	20,524
Basic grains	3,440	3,422	2,958	2,297	4,554	7,358	4,591	6,617	10,356	12,005	16,341
Rice	1,628	1,872	982	903	2,759	4,460	2,845	4,852	8,937	10,183	14,731
Corn	1,384	1,212	1,542	1,045	1,572	2,670	1,604	1,623	1,293	1,587	1,409
Beans	428	338	434	349	223	228	142	142	126	235	201
Other	7,555	7,589	5,311	5,602	7,466	11,245	8,963	14,828	15,172	17,406	13,442
Livestock	26,542	33,964	51,087	38,209	35,897	22,076	24,200	22,912	30,629	53,425	47,095
Other	9,340	11,306	13,807	15,022	16,397	15,344	31,125	33,897	28,426	31,331	16,382
Poultry	2,111	1,976	2,179	2,095	2,740	4,510	4,902	8,360	6,971	4,630	5,168
Forestry	3,617	5,054	6,818	6,226	6,678	4,593	3,445	2,951	3,324	3,499	2,415
Honey	40	55	96	120	100	202	446	552	275	344	556
Fishing	3,572	4,221	4,714	6,581	6,879	6,039	22,332	22,034	17,856	22,858	8,243
INDUSTRY	83,235	87,003	97,730	108,951	122,628	140,105	172,883	204,306	221,288	215,377	193,164
SERVICES	26,341	31,924	26,737	24,169	62,041	83,073	81,173	110,124	122,455	176,015	164,729
REAL ESTATE	54,261	53,122	54,857	49,409	56,040	66,100	69,691	88,084	86,385	100,496	73,743
COMMERCE	71,409	62,206	106,180	112,831	160,216	198,840	271,311	319,874	470,573	436,681	372,476
CONSUMPTION	29,551	25,478	31,562	28,202	29,353	30,420	37,969	48,078	52,637	52,844	52,325
OTHER	2,168	1,874	1,787	1,259	2,748	2,506	4,764	5,507	5,608	7,524	11,415
TOTAL	347,880	349,652	420,245	418,806	526,839	618,940	830,742	1,046,091	1,201,437	1,252,067	1,058,425

SOURCE: Banco Central de Honduras: Boletín Estadístico Mensual. Several years.

TABLE 10. HONDURAS: COMMERCIAL BANKS. NEW LOANS GRANTED DURING THE YEAR, BY ACTIVITY FINANCED ('000 LEMPIRAS), 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	3,792	5,912	8,492	12,481	13,220	16,410	19,420	20,848	31,111	53,392	80,915
Crops	3,102	4,692	6,453	9,802	10,769	13,581	14,997	14,882	17,592	33,160	45,033
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	331	760	936
Coffee	1,513	2,798	3,542	4,355	4,922	4,823	6,319	7,050	8,910	21,135	27,880
Tobacco	-----	-----	-----	-----	880	474	242	596	563	743	1,310
Cotton	75	351	931	2,946	2,619	4,358	2,414	1,834	1,304	517	731
Sugar cane	-----	-----	-----	-----	-----	-----	2,153	836	1,542	2,440	3,181
Basic grains	-----	-----	-----	-----	-----	-----	1,069	1,281	1,604	2,481	3,440
Rice	-----	-----	-----	-----	-----	-----	782	1,105	749	721	1,628
Corn	-----	-----	-----	-----	-----	-----	181	117	720	1,562	1,384
Beans	-----	-----	-----	-----	-----	-----	106	59	135	198	428
Other	1,514	1,543	1,980	2,501	2,348	3,926	2,800	3,285	3,338	4,138	7,555
Livestock	690	1,220	2,001	2,412	2,131	2,453	3,710	4,525	8,120	13,620	26,542
Other	-----	-----	38	267	320	376	713	1,441	5,399	6,612	9,340
Poultry	-----	-----	38	267	320	376	713	1,441	2,336	1,941	2,111
Forestry	-----	-----	-----	-----	-----	-----	-----	-----	2,481	3,871	3,617
Honey	-----	-----	-----	-----	-----	-----	-----	-----	23	30	40
Fishing	-----	-----	-----	-----	-----	-----	-----	-----	559	770	3,572
INDUSTRY	5,930	7,986	7,711	9,802	13,602	17,399	21,160	34,663	38,517	60,763	83,235
SERVICES	4,618	4,775	6,720	5,406	7,883	10,508	14,374	16,720	19,290	26,265	26,341
REAL ESTATE	5,773	5,847	6,680	5,201	7,549	10,881	13,623	21,180	25,944	37,516	54,261
COMMERCE	24,565	24,970	28,568	29,331	36,664	44,079	52,422	72,051	56,912	61,379	71,409
CONSUMPTION	3,191	3,073	4,499	3,975	5,193	6,428	8,665	11,596	15,417	23,868	29,551
OTHER	-----	-----	-----	-----	-----	-----	-----	-----	717	1,520	2,168
TOTAL	47,869	52,563	62,670	66,196	84,091	105,705	129,664	177,058	187,908	264,703	347,880

SOURCE: Banco Central de Honduras: Boletín Estadístico Mensual. Several years.

TABLE 11. HONDURAS: DEVELOPMENT BANKS. NEW LOANS GRANTED DURING THE YEAR, BY ACTIVITY FINANCED ('000 LEMPIRAS), 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	29,894	29,958	41,556	44,418	47,728	57,041	54,621	105,946	90,061	113,538	88,014
Crops	17,148	17,466	23,566	24,938	32,619	43,672	45,005	94,665	81,554	105,246	82,724
Bananas	12	4	3	-----	-----	-----	240	-----	-----	-----	-----
Coffee	5,189	6,069	6,212	7,101	9,654	6,942	17,628	50,263	45,616	53,541	28,859
Tobacco	1,137	956	2,890	1,408	1,541	1,178	644	98	139	87	139
Cotton	4,298	3,079	5,202	7,688	9,828	1,173	3,341	6,771	11,515	15,958	12,120
Sugar cane	997	1,409	1,090	1,057	1,308	1,825	7,393	26,981	7,096	15,945	7,042
Basic grains	3,376	4,112	5,470	4,695	7,972	16,240	12,141	8,033	12,129	11,994	15,535
Rice	230	619	1,720	959	1,138	5,016	2,326	2,182	2,255	4,170	3,697
Corn	2,617	2,953	3,084	3,167	5,291	9,526	8,930	5,212	8,921	7,085	10,461
Beans	529	540	666	569	1,543	1,698	885	639	953	739	1,421
Other	2,139	1,837	2,699	2,989	2,316	9,714	3,618	2,519	5,059	7,721	19,029
Livestock	12,150	11,974	17,089	18,777	14,549	12,452	9,234	10,857	8,098	7,950	4,726
Other	596	518	901	703	560	917	382	424	409	342	564
Poultry	492	470	834	499	353	728	222	245	272	206	272
Forestry	11	10	16	21	6	4	-----	4	12	11	4
Honey	17	26	47	183	201	164	125	170	86	116	158
Fishing	76	12	4	-----	-----	21	35	5	39	9	130
INDUSTRY	7,357	6,423	4,534	5,604	4,838	4,732	15,705	53,710	49,909	78,607	69,623
SERVICES	974	898	699	915	2,662	1,709	4,664	11,591	8,453	27,431	60,006
REAL ESTATE	999	658	427	181	261	293	15	162	498	685	1,144
COMMERCE	4,661	2,926	2,484	5,181	6,077	2,060	1,908	3,772	2,361	3,102	3,839
CONSUMPTION	236	304	348	169	55	69	24	35	162	110	313
OTHER	-----	-----	-----	-----	120	-----	-----	-----	-----	-----	-----
TOTAL	44,121	41,167	50,048	56,468	61,741	65,904	76,937	175,216	151,444	223,473	222,939

SOURCE: Banco Central de Honduras: Boletín Estadístico Mensual. Several years.

TABLE 12. HONDURAS: DEVELOPMENT BANKS. NEW LOANS GRANTED DURING THE YEAR, BY ACTIVITY FINANCED ('000 LEMPIRAS), 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	7,004	5,660	10,339	13,149	19,502	27,241	29,283	29,110	27,078	26,675	29,894
Crops	6,169	4,333	7,637	9,168	15,193	22,421	22,890	20,461	17,808	17,148	17,148
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	4	10	12
Coffee	2,832	1,384	2,030	1,997	2,497	3,705	3,417	3,650	3,577	3,272	5,189
Tobacco	-----	-----	-----	-----	582	1,267	2,758	3,203	1,372	1,363	1,137
Cotton	2,534	2,242	4,289	5,226	9,653	14,343	12,201	8,884	8,895	6,685	4,298
Sugar cane	-----	-----	-----	-----	-----	-----	1,804	889	183	1,277	997
Basic grains	-----	-----	-----	-----	-----	-----	2,674	3,353	1,506	2,931	3,376
Rice	-----	-----	-----	-----	-----	-----	166	354	105	219	230
Corn	-----	-----	-----	-----	-----	-----	1,985	2,453	1,157	2,351	2,617
Beans	-----	-----	-----	-----	-----	-----	523	546	244	361	529
Other	803	707	1,318	1,945	2,461	3,106	36	482	2,271	1,273	2,139
Livestock	835	1,327	2,687	3,925	4,071	4,489	6,014	8,436	8,890	9,644	12,150
Other	-----	-----	15	56	238	331	379	213	380	220	596
Poultry	-----	-----	15	56	238	331	379	213	375	181	492
Forestry	-----	-----	-----	-----	-----	-----	-----	-----	1	12	11
Honey	-----	-----	-----	-----	-----	-----	-----	-----	1	12	17
Fishing	-----	-----	-----	-----	-----	-----	-----	-----	3	15	76
INDUSTRY	510	536	1,465	1,620	1,451	3,481	2,969	3,837	2,948	2,816	7,357
SERVICES	-----	38	297	392	11	715	624	541	308	677	974
REAL ESTATE	2,653	1,161	924	493	168	24	460	955	2,922	1,702	999
COMMERCE	231	375	596	1,017	558	223	832	1,281	1,181	3,072	4,661
CONSUMPTION	6	-----	8	20	7	91	630	1,539	1,559	387	236
OTHER	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL	10,404	7,770	13,629	16,691	21,697	31,775	34,798	37,263	36,696	35,329	44,121

SOURCE: Banco Central de Honduras: Boletín Estadístico Mensual. Several years.

TABLE 13. HONDURAS: LOANS OUTSTANDING AT THE END OF EACH YEAR. PROPORTION REPRESENTED BY THE COMMERCIAL BANKS WITH RESPECT TO THE BANKING SYSTEM. (PERCENTAGES). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	42.9	48.3	45.3	46.1	44.5	45.4	48.6	54.0	54.5	55.2	54.5
Crops	43.6	44.2	38.8	39.2	36.0	40.1	40.1	48.1	46.4	47.4	46.9
Bananas	95.8	94.6	74.9	64.9	81.2	89.5	78.6	85.4	83.3	81.2	77.5
Coffee	61.2	58.8	54.2	46.0	41.5	60.3	57.4	68.8	60.4	56.0	58.7
Tobacco	26.4	21.4	30.9	29.2	34.4	43.0	46.7	52.7	77.2	79.3	83.0
Cotton	10.1	8.0	7.0	3.8	4.5	3.9	11.8	28.3	31.0	39.4	30.8
Sugar cane	46.4	54.6	58.4	62.3	53.6	61.5	50.3	39.6	34.7	35.5	47.5
Basic grains	29.6	32.8	27.0	33.6	28.0	27.3	19.4	22.2	28.9	31.4	34.0
Rice	64.9	69.6	37.8	49.7	49.4	44.9	33.1	41.2	53.9	51.0	58.8
Corn	20.1	21.3	23.9	25.6	21.2	19.2	13.9	11.1	11.3	17.7	9.4
Beans	25.8	19.5	17.5	25.8	10.8	6.9	5.2	7.3	4.7	4.0	6.5
Other	62.0	62.6	51.2	55.6	54.5	35.0	36.6	49.4	46.7	47.3	34.3
Livestock	35.7	45.1	42.0	42.4	44.0	43.1	47.8	48.5	54.3	61.1	65.5
Other	67.8	88.2	88.1	88.8	88.6	87.0	92.6	94.3	96.1	95.8	94.7
Poultry	69.4	59.0	54.4	53.5	61.6	66.1	75.3	80.1	85.6	83.2	84.7
Forestry	99.5	99.3	98.8	98.9	98.5	97.1	97.8	97.7	97.7	97.2	97.1
Honey	47.8	56.3	37.1	21.1	16.5	23.3	30.5	44.7	34.1	43.2	48.1
Fishing	50.7	98.2	98.9	99.3	99.5	99.4	99.5	99.6	99.7	99.8	99.1
INDUSTRY	67.5	86.8	85.5	87.2	88.0	88.3	85.3	74.2	66.0	62.6	57.6
SERVICES	86.1	96.0	94.0	94.5	94.0	92.2	91.0	87.2	86.9	82.0	71.9
REAL ESTATE	83.7	88.0	78.5	74.9	74.0	69.6	80.3	75.3	71.5	66.3	57.1
COMMERCE	85.7	94.5	95.2	93.9	92.4	93.7	97.9	97.7	98.6	98.7	97.9
CONSUMPTION	98.0	97.5	97.3	96.2	94.6	92.1	95.9	95.6	93.0	83.7	76.6
OTHER	98.9	100.0	100.0	100.0	100.0	100.0	82.6	100.0	100.0	100.0	100.0
TOTAL	68.4	76.6	74.0	74.6	73.1	72.9	76.5	75.0	73.4	70.8	66.2

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 14. HONDURAS: LOANS OUTSTANDING AT THE END OF EACH YEAR. PROPORTION REPRESENTED BY THE COMMERCIAL BANKS WITH RESPECT TO THE BANKING SYSTEM. (PERCENTAGES). 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	41.0	43.9	34.9	33.6	30.3	30.2	33.3	30.8	37.3	37.0	42.9
Crops	43.2	45.2	33.8	36.9	33.3	33.2	37.6	34.3	37.5	36.9	43.6
Bananas	--	--	--	--	--	--	--	--	87.9	93.5	95.8
Coffee	48.2	56.4	47.1	52.3	51.5	54.2	58.1	52.6	52.2	58.3	51.2
Tobacco	--	--	--	--	--	--	--	9.6	13.3	23.2	26.4
Cotton	3.6	11.7	6.6	10.6	16.6	17.5	15.0	15.5	15.2	11.5	10.1
Sugar cane	--	--	--	--	--	--	--	--	61.3	51.9	46.4
Basic grains	--	--	--	--	--	--	--	--	28.7	29.1	29.6
Rice	--	--	--	--	--	--	--	--	56.1	49.7	64.9
Corn	--	--	--	--	--	--	--	--	23.9	27.1	20.1
Beans	--	--	--	--	--	--	--	--	21.6	18.9	25.8
Other	68.1	60.9	57.5	51.6	38.4	35.8	39.3	39.1	68.7	54.7	62.0
Livestock	32.0	39.2	37.4	27.1	22.5	22.5	23.0	24.2	27.1	31.9	35.7
Other	--	--	48.2	66.8	48.4	43.6	49.4	58.1	88.1	68.1	67.8
Poultry	--	--	48.2	66.8	48.4	43.6	49.4	58.1	73.0	72.8	69.4
Forestry	--	--	--	--	--	--	--	--	99.9	99.6	99.5
Honey	--	--	--	--	--	--	--	--	53.8	44.1	47.8
Fishing	--	--	--	--	--	--	--	--	85.9	27.6	50.7
INDUSTRY	84.0	87.7	79.1	80.9	76.9	63.0	55.4	57.7	59.2	65.2	67.5
SERVICES	97.9	97.6	93.8	91.5	95.7	80.1	83.4	87.6	89.0	87.1	86.1
REAL ESTATE	44.6	41.6	46.2	46.8	51.9	55.8	56.9	59.0	80.5	84.9	83.7
COMMERCE	98.6	98.3	97.8	97.8	96.6	99.3	96.1	96.8	93.3	90.0	85.7
CONSUMPTION	74.9	58.1	67.1	65.3	65.8	65.2	59.7	55.0	89.8	97.0	98.0
OTHER	--	--	--	--	--	--	--	--	57.4	97.7	98.9
TOTAL	64.5	64.8	64.6	64.2	63.4	60.4	60.1	60.9	65.6	67.5	68.4

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 15. HONDURAS: LOANS OUTSTANDING AT THE END OF EACH YEAR. PROPORTION REPRESENTED BY THE DEVELOPMENT BANKS WITH RESPECT TO THE BANKING SYSTEM. (PERCENTAGES). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	50.6	51.5	54.3	53.5	55.1	54.1	51.4	46.0	45.5	44.8	45.5
Crops	53.6	55.3	60.7	60.8	64.0	59.5	59.9	51.9	53.6	52.6	53.1
Bananas	4.2	5.4	25.1	35.1	18.8	10.5	21.4	14.6	16.7	18.8	22.5
Coffee	36.2	39.6	44.0	54.0	58.5	39.2	42.6	31.2	39.6	44.0	41.3
Tobacco	73.0	78.6	69.1	70.8	65.6	57.0	53.3	47.3	22.8	20.7	17.0
Cotton	89.9	92.0	93.0	96.2	95.5	96.1	88.2	71.7	69.0	60.6	69.2
Sugar cane	50.5	45.4	41.6	37.7	46.8	38.0	49.7	60.4	65.3	64.5	52.5
Basic grains	64.3	67.2	73.0	66.4	72.0	72.7	80.6	77.8	71.1	68.6	66.0
Rice	30.2	30.4	62.2	50.3	50.6	55.1	66.9	58.8	46.1	49.0	41.2
Corn	72.4	78.7	76.1	74.4	78.8	80.8	86.1	88.9	88.7	82.3	90.6
Beans	74.2	80.5	82.3	74.2	89.2	93.1	94.8	92.7	95.3	96.0	93.5
Other	34.2	37.4	48.8	44.3	45.5	63.9	63.4	50.6	53.3	52.7	65.7
Livestock	57.2	54.9	57.6	56.8	55.1	56.1	52.2	51.5	45.7	38.9	34.5
Other	8.4	11.7	11.9	11.1	11.4	12.6	7.4	5.7	3.9	4.2	5.3
Poultry	28.8	40.5	45.6	45.9	38.4	32.4	24.7	19.9	14.4	16.8	15.3
Forestry	0.5	0.7	1.2	1.0	1.5	2.9	2.1	2.3	2.3	2.8	2.9
Honey	52.2	49.4	62.9	78.9	83.5	76.7	69.5	55.3	65.9	56.8	51.9
Fishing	1.5	1.8	1.1	0.7	0.5	0.6	0.5	0.4	0.3	0.2	0.9
INDUSTRY	13.5	12.9	14.2	12.7	11.6	10.5	14.7	25.8	34.0	37.4	42.4
SERVICES	4.1	3.9	4.5	3.4	5.5	5.6	9.0	12.8	12.8	18.0	28.1
REAL ESTATE	9.9	1.9	1.5	0.9	0.8	0.7	0.6	0.5	0.7	0.8	0.8
COMMERCE	4.2	5.4	4.3	5.5	5.7	3.7	2.1	2.3	1.3	1.3	2.1
CONSUMPTION	1.7	2.1	1.6	0.8	0.5	0.5	0.3	0.3	0.4	0.6	0.7
OTHER	--	--	--	--	--	--	17.4	--	--	--	--
TOTAL	21.8	21.5	21.9	20.5	21.3	20.3	20.1	20.6	21.7	22.7	24.8

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 16. HONDURAS: LOANS OUTSTANDING AT THE END OF EACH YEAR. PROPORTION REPRESENTED BY THE DEVELOPMENT BANKS WITH RESPECT TO THE BANKING SYSTEM. (PERCENTAGES). 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	58.9	56.0	65.0	66.2	68.9	67.0	63.7	65.5	58.6	57.6	50.6
Crops	56.6	54.6	66.1	63.6	65.9	65.6	61.2	64.6	61.5	62.0	53.6
Bananas	--	--	--	--	--	--	--	--	12.1	6.5	4.2
Coffee	51.6	43.5	52.6	47.5	48.4	45.7	41.6	47.3	47.8	41.7	36.2
Tobacco	--	--	--	--	--	--	--	90.4	86.7	76.8	73.0
Cotton	96.4	87.7	93.4	88.7	82.6	82.1	84.6	84.3	84.8	88.5	89.9
Sugar cane	--	--	--	--	--	--	--	--	36.5	44.5	50.5
Basic grains	--	--	--	--	--	--	--	--	69.5	69.7	64.3
Rice	--	--	--	--	--	--	--	--	43.9	50.3	30.2
Corn	--	--	--	--	--	--	--	--	73.6	71.4	72.4
Beans	--	--	--	--	--	--	--	--	78.4	81.1	74.2
Other	31.7	39.1	42.5	48.4	60.0	61.1	58.1	58.0	26.3	39.2	34.2
Livestock	68.0	60.8	62.4	72.9	76.7	70.9	70.0	69.1	63.6	59.1	57.2
Other	--	--	51.8	33.2	50.8	55.1	50.0	41.0	9.8	9.0	8.4
Poultry	--	--	51.8	33.2	50.8	55.1	50.0	41.0	24.9	25.7	28.8
Forestry	--	--	--	--	--	--	--	--	0.1	0.4	0.5
Honey	--	--	--	--	--	--	--	--	46.2	55.9	52.2
Fishing	--	--	--	--	--	--	--	--	1.1	1.1	1.5
INDUSTRY	15.2	12.1	19.9	18.6	13.4	17.0	15.3	15.7	14.5	11.5	13.5
SERVICES	0.3	1.1	5.5	7.8	2.1	6.4	6.1	4.3	1.5	2.5	4.1
REAL ESTATE	14.5	15.9	7.4	7.3	6.3	5.3	6.3	7.4	9.5	10.2	9.9
COMMERCE	0.6	1.1	1.7	1.5	1.6	1.6	2.2	2.1	2.9	4.8	4.2
CONSUMPTION	0.5	0.1	0.2	0.1	0.1	2.2	5.7	7.4	10.2	2.9	1.7
OTHER	--	--	--	--	--	--	--	--	--	--	--
TOTAL	18.5	18.6	20.6	23.3	24.5	25.7	24.8	24.6	24.4	23.4	21.8

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 17. HONDURAS: NEW LOANS GRANTED DURING THE YEAR. PROPORTION REPRESENTED BY THE COMMERCIAL BANKS WITH RESPECT TO THE BANKING SYSTEM. (PERCENTAGES). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	70.0	72.6	70.2	61.4	65.7	62.6	76.8	71.8	72.7	69.9	68.4
Crops	70.4	69.1	59.9	57.0	56.0	57.6	74.6	69.3	69.2	62.9	60.6
Bananas	98.7	99.6	99.7	93.2	100.0	100.0	85.1	100.0	100.0	100.0	100.0
Coffee	82.4	78.2	75.2	73.9	68.6	79.5	85.4	76.7	73.4	63.7	65.3
Tobacco	53.5	84.4	40.2	59.1	61.4	74.9	86.2	98.5	99.0	99.7	99.1
Cotton	14.5	5.6	7.8	2.2	3.5	1.9	26.7	23.4	33.9	31.7	34.3
Sugar cane	74.3	68.7	74.1	62.3	75.7	78.6	50.3	33.6	64.6	56.8	74.5
Basic grains	45.8	44.9	35.1	28.2	36.4	31.2	27.3	45.2	46.1	50.0	51.3
Rice	83.7	75.2	36.3	32.2	70.8	47.0	54.4	69.0	78.9	71.0	79.9
Corn	30.0	28.5	33.3	23.7	22.9	21.9	15.2	23.7	12.7	18.3	11.9
Beans	44.7	38.3	39.5	36.6	12.6	11.8	13.8	18.2	11.7	24.1	12.4
Other	76.0	79.3	66.3	56.6	76.3	52.9	70.8	85.5	75.0	69.3	41.4
Livestock	66.2	71.8	74.2	60.5	69.5	63.3	70.2	67.8	79.1	87.0	90.9
Other	80.4	93.4	93.9	81.4	96.5	93.0	96.1	98.8	98.6	98.9	96.7
Poultry	79.5	80.3	72.3	70.8	87.6	82.6	81.4	97.1	96.2	95.7	95.0
Forestry	99.7	97.9	99.8	81.9	99.9	99.5	100.0	99.9	99.6	99.7	99.8
Honey	70.2	67.9	67.1	38.8	33.2	66.0	78.1	76.5	76.2	74.8	77.9
Fishing	67.8	96.0	99.9	86.7	100.0	99.7	99.8	99.9	99.8	99.6	98.4
INDUSTRY	80.0	83.7	95.4	79.4	95.3	95.3	89.0	79.2	81.6	73.3	73.5
SERVICES	91.1	91.5	96.3	76.6	95.1	96.0	91.9	90.5	93.4	86.5	73.3
REAL ESTATE	95.4	88.1	84.1	69.9	78.9	79.0	72.3	78.5	76.7	73.0	60.0
COMMERCE	84.0	87.6	97.4	76.8	94.3	97.5	96.7	98.8	99.5	99.3	98.9
CONSUMPTION	98.8	98.5	95.1	79.8	94.0	92.9	90.0	95.7	92.9	85.4	78.6
OTHER	99.9	100.0	100.0	100.0	95.8	100.0	100.0	100.0	100.0	100.0	100.0
TOTAL	82.3	83.4	86.8	72.6	86.1	86.8	86.7	83.9	86.9	82.3	78.8

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 18. HONDURAS: NEW LOANS GRANTED DURING THE YEAR. PROPORTION REPRESENTED BY THE COMMERCIAL BANKS WITH RESPECT TO THE BANKING SYSTEM. (PERCENTAGES). 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	35.1	51.0	45.0	48.6	40.1	36.8	39.3	40.5	51.8	63.9	70.0
Crops	33.5	51.9	45.8	51.5	41.2	37.5	39.4	41.7	49.0	65.5	70.4
Bananas	--	--	--	--	--	--	--	--	98.8	99.9	98.7
Coffee	34.8	66.8	63.5	68.5	66.3	56.6	64.7	65.9	71.4	86.6	82.4
Tobacco	--	--	--	--	60.2	27.2	8.1	15.7	29.1	35.3	53.5
Cotton	2.9	13.5	17.8	35.9	21.2	23.7	16.5	17.1	12.8	18.5	14.5
Sugar cane	--	--	--	--	--	--	54.4	48.5	88.6	62.1	74.3
Basic Grains	--	--	--	--	--	--	28.6	27.6	49.9	44.9	45.8
Rice	--	--	--	--	--	--	82.5	75.7	87.7	76.7	83.7
Corn	--	--	--	--	--	--	8.4	4.6	35.4	38.8	30.0
Beans	--	--	--	--	--	--	16.9	9.8	35.2	35.4	44.7
Other	65.3	68.1	60.0	56.3	47.9	54.4	94.3	1.4	56.0	71.8	76.0
Livestock	45.2	47.9	45.6	38.1	34.0	31.9	36.3	31.9	44.3	54.9	66.2
Other	--	--	71.7	82.7	55.9	52.3	65.0	86.6	92.8	81.3	80.4
Poultry	--	--	71.7	82.7	55.9	52.3	65.0	86.6	84.9	91.4	79.5
Forestry	--	--	--	--	--	--	--	--	99.9	99.7	99.7
Honey	--	--	--	--	--	--	--	--	95.8	71.4	70.2
Fishing	--	--	--	--	--	--	--	--	99.5	36.9	67.8
INDUSTRY	92.1	93.6	83.7	85.8	82.6	70.1	68.1	73.3	74.2	80.7	80.0
SERVICES	71.7	56.0	73.0	47.3	47.9	42.4	46.3	35.4	92.3	93.8	91.1
REAL ESTATE	55.5	58.8	69.8	65.0	74.1	77.8	79.9	80.3	81.5	91.5	95.4
COMMERCE	98.5	98.2	97.6	96.0	97.0	97.7	95.4	97.6	93.5	84.9	84.0
CONSUMPTION	72.9	66.5	73.7	76.4	78.9	77.2	68.9	58.3	83.4	98.3	98.8
OTHER	--	--	--	--	--	--	--	--	48.3	62.6	99.9
TOTAL	77.6	81.0	78.3	76.3	75.1	70.5	71.9	75.0	76.5	81.0	82.3

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 46. HONDURAS: BANKING SYSTEM. NEW LOANS GRANTED DURING THE YEAR.
ANNUAL RATES OF GROWTH IN REAL TERMS. (PERCENTAGES). 1961-1970.

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	5.5	61.5	33.6	24.6	32.3	9.7	2.2	14.5	37.3	34.3
Crops	- 4.1	54.8	32.3	33.4	35.4	4.1	- 8.2	- 1.0	39.2	22.6
Bananas	----	----	----	----	----	----	----	----	110.8	28.6
Coffee	- 5.3	32.4	11.8	13.3	12.3	13.5	7.3	14.6	93.1	34.5
Tobacco	----	----	----	----	16.3	70.8	24.0	-50.0	7.5	12.8
Cotton	- 2.3	100.0	54.3	45.9	48.3	-22.6	-28.2	- 6.6	-20.6	-40.5
Sugar cane	----	----	----	----	----	----	-57.3	- 0.9	122.9	5.8
Basic grains	----	----	----	----	----	----	21.3	-30.6	66.6	31.9
Rice	----	----	----	----	----	----	50.7	-42.5	8.6	101.0
Corn	----	----	----	----	----	----	16.2	-22.2	95.4	11.1
Beans	----	----	----	----	----	----	- 5.8	-37.7	43.6	66.4
Other	- 3.9	44.5	32.2	7.1	43.8	-59.2	34.4	93.1	- 4.6	67.5
Livestock	64.1	83.2	32.3	- 4.1	20.1	31.8	35.9	26.8	33.5	56.9
Other	----	----	497.0	72.1	22.8	51.2	48.6	243.4	38.0	38.5
Poultry	----	----	497.0	72.1	22.8	51.2	48.6	62.4	-23.8	21.4
Forestry	----	----	----	----	----	----	----	----	54.5	- 9.3
Honey	----	----	----	----	----	----	----	----	69.6	33.3
Fishing	----	----	----	----	----	----	----	----	266.9	145.2
INDUSTRY	30.1	7.3	21.7	40.0	47.1	24.1	49.0	7.8	43.3	33.9
SERVICES	0.7	50.7	-21.6	33.4	57.9	20.3	7.8	18.4	32.3	0.3
REAL ESTATE	- 6.2	- 4.3	-18.0	23.6	34.0	20.8	51.6	18.4	27.3	34.6
COMMERCE	0.2	14.4	2.4	20.2	16.6	19.4	33.0	-19.1	17.3	14.2
CONSUMPTION	3.6	31.4	-16.4	22.8	23.6	49.7	54.8	- 8.7	29.6	19.5
OTHER	----	----	----	----	----	----	----	----	61.9	-13.4
TOTAL	3.5	22.5	6.2	25.5	30.6	19.2	28.4	2.1	31.5	25.4

SOURCE: Computed from Table 40.

TABLE 45. HONDURAS: BANKING SYSTEM. NEW LOANS GRANTED DURING THE YEAR.
ANNUAL RATES OF GROWTH IN REAL TERMS. (PERCENTAGES). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	34.3	2.8	15.0	0.3	-17.1	1.3	53.1	37.9	-16.1	3.8	-37.7
Crops	22.6	- 5.2	- 5.0	11.0	- 7.9	31.1	67.3	53.9	-18.6	- 1.6	-37.7
Bananas	28.6	1.5	15.1	10.0	- 1.6	62.4	-66.9	-49.4	-81.6	289.9	-52.7
Coffee	34.5	- 3.0	-17.3	13.3	-20.4	3.7	253.8	55.4	-25.0	-20.9	-52.5
Tobacco	12.8	-56.1	326.2	-25.5	- 6.7	14.3	- 9.8	26.5	96.2	80.2	-48.9
Cotton	-40.5	-36.4	66.9	32.0	14.9	-28.0	-44.8	340.0	-24.8	23.3	-33.5
Sugar cane	5.8	16.6	-20.4	37.1	-21.5	74.7	47.9	137.6	-53.3	69.0	-37.1
Basic grains	31.9	- 0.4	6.6	- 8.4	36.4	74.4	-32.1	-19.8	45.2	- 1.9	11.8
Rice	101.0	25.5	4.7	- 1.8	23.6	125.1	-47.5	24.0	50.5	17.9	8.1
Corn	11.1	- 9.5	5.0	- 9.9	38.5	64.5	-17.4	-40.4	41.4	-22.0	14.8
Beans	66.4	- 9.6	20.3	-17.9	64.4	1.0	-49.3	-29.9	30.5	-17.0	40.3
Other	67.5	- 5.6	-19.3	17.0	-12.2	101.0	-43.2	26.2	10.3	14.2	8.8
Livestock	56.9	15.7	40.5	-13.2	-27.3	-37.5	- 5.9	- 9.7	8.5	45.7	-28.9
Other	38.5	2.2	17.3	18.8	-18.2	-10.1	87.1	- 2.4	-20.5	1.0	-55.0
Poultry	21.4	- 9.2	18.1	- 7.0	- 6.2	61.5	5.1	31.7	-20.4	-38.6	- 5.4
Forestry	- 9.3	39.5	27.8	5.3	-21.9	-36.1	-28.9	-21.0	6.8	- 3.3	-42.0
Honey	33.3	40.4	69.9	104.8	-13.4	12.7	48.8	16.5	-52.8	17.2	30.7
Fishing	145.2	-18.2	3.5	52.2	19.5	18.5	251.7	- 9.2	-23.2	17.5	-69.2
INDUSTRY	33.9	- 2.1	- 4.9	26.9	-16.7	5.8	25.9	22.3	- 0.6	- 0.4	-24.8
SERVICES	0.3	18.2	-23.2	7.5	83.8	22.7	- 2.8	27.0	1.9	42.6	- 7.0
REAL ESTATE	34.6	3.9	4.4	2.6	- 3.3	9.1	9.7	7.3	- 5.1	12.4	-24.8
COMMERCE	14.2	-18.1	48.1	27.6	2.7	11.0	31.2	6.2	-86.2	754.7	-27.9
CONSUMPTION	19.5	-15.2	23.8	0.8	-21.5	- 2.9	22.7	9.7	6.7	0.4	- 9.4
OTHER	-13.4	-15.4	- 8.0	-19.1	66.8	53.8	- 4.7	6.5	- 3.7	23.3	27.7
TOTAL	25.4	- 2.8	11.4	12.8	- 5.7	7.8	28.0	20.0	4.9	1.1	-25.6

SOURCE: Computed from Table 39.

TABLE 44. HONDURAS: DEVELOPMENT BANKS. NEW LOANS GRANTED DURING THE YEAR BY ACTIVITY FINANCED, IN REAL TERMS. ('000 CONSTANT LEMPIRAS OF 1966). 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	7,782	6,179	11,214	13,988	20,147	27,488	29,283	28,511	26,036	25,332	27,552
Crops	6,854	4,730	8,283	9,753	15,695	22,625	22,890	20,040	17,123	16,284	15,804
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	3	9	11
Coffee	3,147	1,511	2,202	2,125	2,580	3,739	3,417	3,575	3,439	3,107	4,782
Tobacco	-----	-----	-----	-----	601	1,279	2,758	3,137	1,319	1,294	1,047
Cotton	2,816	2,448	4,652	5,560	9,972	14,473	12,201	8,701	8,552	6,348	3,961
Sugar cane	-----	-----	-----	-----	-----	1,804	871	175	1,212	918	918
Basic grains	-----	-----	-----	-----	-----	-----	2,674	3,284	1,448	2,783	3,111
Rice	-----	-----	-----	-----	-----	-----	166	347	100	207	211
Corn	-----	-----	-----	-----	-----	-----	1,985	2,403	1,112	2,232	2,411
Beans	-----	-----	-----	-----	-----	-----	523	535	234	342	487
Other	892	772	1,430	2,069	2,542	3,134	36	472	2,183	1,208	1,971
Livestock	928	1,449	2,914	4,176	4,206	4,530	6,014	8,263	8,548	9,158	11,198
Other	-----	-----	16	60	246	334	379	209	365	208	549
Poultry	-----	-----	16	60	246	334	379	209	360	171	453
Forestry	-----	-----	-----	-----	-----	-----	-----	-----	-----	11	10
Honey	-----	-----	-----	-----	-----	-----	-----	-----	-----	11	15
Fishing	-----	-----	-----	-----	-----	-----	-----	-----	2	14	70
INDUSTRY	567	585	1,589	1,723	1,499	3,513	2,969	3,758	2,834	2,674	6,780
SERVICES	-----	42	322	417	11	722	624	529	296	642	897
REAL ESTATE	2,948	1,268	1,002	525	174	24	460	935	2,809	1,616	920
COMMERCE	257	409	646	1,082	576	225	832	1,255	1,135	2,917	4,295
CONSUMPTION	7	-----	9	21	7	92	630	1,507	1,499	367	217
OTHER	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL	11,560	8,483	14,782	17,756	22,414	32,064	34,798	36,497	35,284	33,550	40,664

SOURCE: Computed from Banco Central de Honduras, Boletín Estadístico Mensual, several years. Values deflated by the annual average of the general consumer price index.

TABLE 43. HONDURAS: DEVELOPMENT BANKS. NEW LOANS GRANTED DURING THE YEAR BY ACTIVITY FINANCED, IN REAL TERMS. ('000 CONSTANT LEMPIRAS OF 1966). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	27,552	27,062	36,230	36,648	34,991	38,698	35,307	63,100	50,738	58,797	38,367
Crops	15,804	15,777	20,545	20,575	23,914	29,628	29,091	56,381	45,954	54,503	36,061
Bananas	11	3	2	-----	-----	-----	155	-----	-----	-----	-----
Coffee	4,782	5,482	5,415	5,858	7,077	4,709	11,394	29,936	25,699	27,727	12,580
Tobacco	1,047	863	1,519	1,161	1,129	799	416	58	78	45	60
Cotton	3,961	2,781	4,535	6,343	7,205	795	2,159	4,032	6,487	8,264	5,283
Sugar cane	918	1,272	950	872	958	1,238	4,778	16,069	3,997	8,257	3,069
Basic grains	3,111	3,714	4,768	3,873	5,844	11,017	7,848	4,784	6,833	6,211	6,772
Rice	211	559	1,499	791	834	3,402	1,503	1,299	1,270	2,159	1,611
Corn	2,411	2,667	2,688	2,613	3,879	6,462	5,772	3,104	5,025	3,669	4,560
Beans	487	487	580	469	1,131	1,151	572	380	536	382	619
Other	1,971	1,659	2,353	2,466	1,697	6,590	2,338	1,500	2,850	3,998	8,295
Livestock	11,198	10,816	14,898	15,492	10,666	8,447	5,968	6,466	4,562	4,117	2,060
Other	549	467	785	580	410	622	246	252	230	177	245
Poultry	453	424	727	411	258	493	143	145	153	106	118
Forestry	10	9	13	17	4	2	-----	2	6	5	1
Honey	15	23	40	150	147	111	80	101	48	60	68
Fishing	70	10	3	-----	-----	14	22	2	21	4	56
INDUSTRY	6,780	5,802	3,952	4,623	3,546	3,210	10,151	31,989	28,117	40,707	30,350
SERVICES	897	811	609	754	1,951	1,159	3,014	6,903	4,762	14,205	26,157
REAL ESTATE	920	594	372	149	191	198	9	96	280	354	498
COMMERCE	4,295	2,643	2,165	4,274	4,455	1,397	1,233	2,246	1,330	1,606	1,673
CONSUMPTION	217	274	303	139	40	46	15	20	91	56	136
OTHER	-----	-----	-----	-----	87	-----	-----	-----	-----	-----	-----
TOTAL	40,664	37,187	43,633	46,590	45,264	44,710	49,733	104,357	85,320	115,729	97,183

SOURCE: Computed from Banco Central de Honduras, Boletín Estadístico Mensual, several years. Values deflated by the annual average of the general consumer price index.

TABLE 42. HONDURAS: COMMERCIAL BANKS. NEW LOANS GRANTED DURING THE YEAR BY ACTIVITY FINANCED, IN REAL TERMS. ('000 CONSTANT LEMPIRAS OF 1966). 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	4,213	6,454	9,210	13,278	13,657	16,559	19,420	20,419	29,914	50,704	74,576
Crops	3,447	5,122	6,999	10,428	11,125	13,704	14,997	14,576	16,915	31,490	41,505
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	318	721	862
Coffee	1,681	3,055	3,842	4,637	5,085	4,867	6,319	6,905	8,567	20,071	25,695
Tobacco	-----	-----	-----	-----	909	478	242	584	541	704	1,207
Cotton	83	383	1,010	3,134	2,706	4,398	2,414	1,796	1,253	1,440	673
Sugar cane	-----	-----	-----	-----	-----	-----	2,153	819	1,482	2,317	2,931
Basic grains	-----	-----	-----	-----	-----	-----	1,069	1,255	1,542	2,356	3,170
Rice	-----	-----	-----	-----	-----	-----	782	1,082	720	684	1,500
Corn	-----	-----	-----	-----	-----	-----	181	115	692	1,483	1,275
Beans	-----	-----	-----	-----	-----	-----	106	58	129	188	394
Other	1,682	1,685	2,148	2,661	2,457	3,962	2,800	3,217	3,209	3,929	6,963
Livestock	767	1,332	2,170	2,566	2,201	2,475	3,710	4,432	7,807	12,934	24,462
Other	-----	-----	41	284	331	379	713	1,411	5,191	6,279	8,608
Poultry	-----	-----	41	284	331	379	713	1,411	2,246	1,843	1,945
Forestry	-----	-----	-----	-----	-----	-----	-----	-----	2,385	3,676	3,333
Honey	-----	-----	-----	-----	-----	-----	-----	-----	22	28	36
Fishing	-----	-----	-----	-----	-----	-----	-----	-----	537	731	3,292
INDUSTRY	6,589	8,718	8,363	10,428	14,052	17,557	21,160	33,950	37,035	57,704	76,714
SERVICES	5,131	5,213	7,289	5,751	8,144	10,603	14,374	16,376	18,548	24,943	24,277
REAL ESTATE	6,414	6,383	7,245	5,533	7,799	10,980	13,623	20,744	24,946	35,627	50,010
COMMERCE	27,294	27,260	30,985	31,203	37,876	44,479	52,422	70,569	54,723	58,289	65,814
CONSUMPTION	3,546	3,355	4,880	4,229	5,365	6,486	8,665	11,358	14,824	22,666	27,235
OTHER	-----	-----	-----	-----	-----	-----	-----	-----	689	1,443	1,998
TOTAL	53,188	57,383	67,972	70,421	86,870	106,665	129,664	173,416	180,680	251,379	320,626

SOURCE: Computed from Banco Central de Honduras, Boletín Estadístico Mensual, several years. Values deflated by the annual average of the general consumer price index.

TABLE 41. HONDURAS: COMMERCIAL BANKS. NEW LOANS GRANTED DURING THE YEAR BY ACTIVITY FINANCED, IN REAL TERMS. ('000 CONSTANT LEMPIRAS OF 1966). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	74,576	79,534	88,397	77,545	68,777	66,415	124,725	160,880	136,614	136,266	83,074
Crops	41,505	38,640	31,820	33,625	30,439	41,028	88,963	127,045	103,344	92,373	55,403
Bananas	862	882	1,017	1,046	1,104	1,793	999	593	109	425	201
Coffee	25,695	23,647	18,801	20,935	15,480	18,591	70,684	98,726	70,808	48,585	23,680
Tobacco	1,207	834	1,695	1,855	1,799	2,508	2,603	3,761	7,414	13,453	6,832
Cotton	673	166	383	144	258	103	792	3,057	3,328	3,835	2,758
Sugar cane	2,931	3,162	2,713	3,126	2,984	6,410	5,121	8,134	7,301	10,843	8,946
Basic grains	3,170	3,091	2,578	1,895	3,338	4,991	2,967	3,941	5,834	6,216	7,123
Rice	1,500	1,691	856	745	2,022	3,025	1,839	2,889	5,034	5,273	6,421
Corn	1,275	1,094	1,344	862	1,152	1,811	1,036	966	728	821	614
Beans	394	305	378	287	163	154	91	84	70	121	87
Other	6,963	6,855	4,630	4,622	5,473	7,628	5,793	8,831	8,547	9,013	5,859
Livestock	24,462	30,681	44,539	31,525	26,317	14,976	15,643	13,646	17,255	27,667	20,529
Other	8,608	10,213	12,037	12,394	12,021	10,409	20,119	20,188	16,014	16,225	7,141
Poultry	1,945	1,785	1,899	1,728	2,008	3,059	3,168	4,979	3,927	2,397	2,252
Forestry	3,333	4,565	5,944	5,136	4,895	3,116	2,226	1,757	1,872	1,812	1,052
Honey	36	49	83	99	73	137	288	328	154	178	242
Fishing	3,292	3,813	4,109	5,429	5,043	4,097	14,435	13,123	10,059	11,837	3,593
INDUSTRY	76,714	78,593	85,204	89,893	89,903	95,050	111,753	121,683	124,669	111,536	84,204
SERVICES	24,277	28,838	23,310	19,941	45,484	56,358	52,471	65,589	68,988	91,152	71,808
REAL ESTATE	50,010	47,987	47,826	40,766	41,085	44,843	45,049	52,462	48,667	52,043	32,146
COMMERCE	65,814	56,193	92,571	93,094	117,460	134,898	175,378	190,514	265,111	226,142	162,369
CONSUMPTION	27,235	23,015	27,517	23,268	21,519	20,637	24,543	28,634	29,654	27,366	22,809
OTHER	1,998	1,692	1,557	1,038	2,014	1,700	3,079	3,279	3,159	3,896	4,976
TOTAL	320,626	315,855	366,386	345,549	386,245	419,905	537,000	623,044	676,865	648,403	461,388

SOURCE: Computed from Banco Central de Honduras, Boletín Estadístico Mensual, Several years. Values deflated by the annual average of the general consumer price index.

TABLE 40. HONDURAS: BANKING SYSTEM. NEW LOANS GRANTED DURING THE YEAR AT ACTIVITY FINANCED, IN REAL TERMS. ('000 CONSTANT LEMPIRAS OF 1966). 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	11,996	12,658	20,446	27,317	34,043	45,032	49,382	50,453	57,786	79,366	106,609
Crops	10,301	9,878	15,293	20,232	26,987	36,545	38,055	34,916	34,552	48,096	58,976
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	322	679	873
Coffee	4,828	4,572	6,054	6,766	7,664	8,605	9,766	10,480	12,006	23,178	31,178
Tobacco	-----	-----	-----	-----	1,510	1,757	3,000	3,721	1,860	2,000	2,255
Cotton	2,899	2,831	5,662	8,736	12,746	18,897	14,620	10,498	9,806	7,789	4,635
Sugar cane	-----	-----	-----	-----	-----	-----	3,957	1,690	1,674	3,732	3,948
Basic grains	-----	-----	-----	-----	-----	-----	3,743	4,539	3,148	5,246	6,921
Rice	-----	-----	-----	-----	-----	-----	948	1,429	821	892	1,793
Corn	-----	-----	-----	-----	-----	-----	2,166	2,517	1,957	3,823	4,246
Beans	-----	-----	-----	-----	-----	-----	629	593	369	530	882
Other	2,574	2,475	3,577	4,730	5,066	7,286	2,969	3,939	5,734	5,470	9,163
Livestock	1,694	2,781	5,095	6,742	6,465	7,762	10,230	13,907	17,636	23,544	36,930
Other	-----	-----	58	343	591	726	1,097	1,630	5,597	7,725	10,702
Poultry	-----	-----	58	343	591	726	1,097	1,630	2,647	2,016	2,448
Forestry	-----	-----	-----	-----	-----	-----	-----	-----	2,386	3,687	3,343
Honey	-----	-----	-----	-----	-----	-----	-----	-----	23	39	52
Fishing	-----	-----	-----	-----	-----	-----	-----	-----	540	1,981	4,857
INDUSTRY	7,156	9,310	9,987	12,151	17,017	25,035	31,078	46,313	49,928	71,546	95,835
SERVICES	5,216	5,254	7,920	6,210	8,284	13,083	15,745	16,966	20,090	26,585	26,658
REAL ESTATE	11,566	10,853	10,386	8,516	10,528	14,109	17,050	25,847	30,600	38,944	52,410
COMMERCE	27,701	27,748	31,751	32,505	39,065	45,536	54,368	72,310	58,525	68,641	78,355
CONSUMPTION	4,867	5,042	6,624	5,537	6,802	8,406	12,581	19,478	17,782	23,051	27,557
OTHER	-----	-----	-----	-----	-----	-----	-----	-----	1,425	2,307	1,999
TOTAL	68,500	70,865	86,820	92,236	115,739	151,201	180,225	231,366	236,139	310,443	389,425

SOURCE: Computed from Banco Central de Honduras, Boletín Estadístico Mensual, several years. Values deflated by the annual average of the general consumer price index.

TABLE 39. HONDURAS: BANKING SYSTEM. NEW LOANS GRANTED DURING THE YEAR BY ACTIVITY FINANCED, IN REAL TERMS. ('000 CONSTANT LEMPIRAS OF 1966). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	106,609	109,584	125,980	126,355	104,700	106,102	162,403	223,980	187,916	195,063	121,441
Crops	58,976	55,933	53,150	59,010	54,359	71,238	119,187	183,427	149,290	146,877	91,464
Bananas	873	886	1,020	1,122	1,104	1,793	1,173	593	109	425	201
Coffee	31,178	30,233	25,001	28,327	22,557	23,396	82,776	128,622	96,507	76,312	36,260
Tobacco	2,255	989	4,215	3,141	2,929	3,348	3,020	3,819	7,492	13,498	6,893
Cotton	4,635	2,947	4,918	6,494	7,463	5,375	2,965	13,045	9,815	12,099	8,042
Sugar cane	3,948	4,604	3,663	5,021	3,943	6,887	10,186	24,204	11,299	19,100	12,016
Basic grains	6,921	6,890	7,347	6,731	9,183	16,012	10,875	8,725	12,667	12,428	13,895
Rice	1,793	2,250	2,355	2,311	2,857	6,431	3,377	4,189	6,305	7,432	8,033
Corn	4,246	3,842	4,033	3,632	5,031	8,274	6,833	4,070	5,754	4,490	5,155
Beans	882	797	959	787	1,294	1,307	663	465	607	504	707
Other	9,163	8,649	6,983	8,171	7,177	14,423	8,188	10,331	11,397	13,012	14,154
Livestock	36,930	42,717	60,006	52,111	37,884	23,671	22,270	20,112	21,818	31,784	22,589
Other	10,702	10,934	12,823	15,233	12,456	11,192	20,945	20,441	16,245	16,402	7,387
Poultry	2,448	2,223	2,626	2,443	2,292	3,702	3,890	5,125	4,080	2,504	2,371
Forestry	3,343	4,663	5,958	6,273	4,900	3,130	2,226	1,759	1,879	1,817	1,054
Honey	52	73	124	254	220	248	369	430	203	238	311
Fishing	4,857	3,973	4,113	6,261	5,043	4,111	14,458	13,126	10,081	11,842	3,649
INDUSTRY	95,835	93,843	89,278	113,271	94,321	99,770	125,621	153,672	152,787	152,244	114,554
SERVICES	26,658	31,504	24,207	26,031	47,841	58,713	57,095	72,492	73,891	105,357	97,966
REAL ESTATE	52,410	54,462	56,857	58,349	52,052	56,770	62,299	66,847	63,459	71,337	53,619
COMMERCE	78,355	64,177	95,077	121,285	124,596	138,297	181,433	192,761	26,645	227,748	164,107
CONSUMPTION	27,557	23,375	28,933	29,169	22,887	22,219	27,269	29,914	31,910	32,041	29,026
OTHER	1,999	1,692	1,557	1,260	2,102	3,232	3,079	3,279	3,159	3,896	4,976
TOTAL	389,425	378,641	421,894	475,722	448,501	483,575	619,201	742,949	779,014	787,690	585,690

SOURCE: Computed from Banco Central de Honduras, Boletín Estadístico Mensual, Several years. Values deflated by the annual average of the general consumer price index.

TABLE 38. HONDURAS: DEVELOPMENT BANKS. LOANS OUTSTANDING AT THE END OF THE YEAR.
ANNUAL RATES OF GROWTH IN REAL TERMS. (PERCENTAGES). 1971-1980.

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE		9.3	6.6	8.8	7.9	5.4	- 2.3	2.9	- 7.7	- 2.8
Crops		4.7	1.4	21.4	15.0	19.8	2.3	11.1	- 2.1	1.1
Bananas		627.0	- 7.4	-10.0	- 7.6	68.1	-47.4	- 5.5	-16.2	- 9.0
Coffee		-11.9	3.3	47.4	-32.3	77.1	1.2	22.1	32.9	-22.2
Tobacco		- 4.3	- 0.8	2.3	-10.0	-13.2	-15.5	-18.2	-22.3	-15.7
Cotton		16.5	- 6.5	14.6	-25.6	-10.9	19.4	3.0	-17.3	19.1
Sugar cane		-19.2	10.7	10.8	16.6	116.4	82.4	20.7	-16.0	-18.5
Basic grains		10.8	0.7	32.1	59.0	10.1	-15.3	5.8	-11.4	9.7
Rice		144.9	4.5	9.9	111.1	7.8	-10.0	1.3	0.8	9.2
Corn		- 6.9	- 4.5	35.6	54.4	16.4	-16.8	8.5	-15.5	7.7
Beans		0.5	17.6	54.1	15.2	-12.9	-19.5	2.6	-19.4	24.4
Other		24.0	14.8	1.0	121.9	----	-21.6	9.4	- 1.4	58.0
Livestock		17.5	12.3	- 3.2	- 1.4	-14.9	-11.7	-15.0	-24.6	-18.8
Other		29.7	7.6	- 6.4	13.1	-13.5	736.8	-92.2	-22.2	- 5.4
Poultry		31.2	0.2	-15.2	13.8	-19.3	-12.7	-36.2	-20.8	-17.6
Forestry		100.0	6.3	----	- 8.8	- 9.7	14.3	----	----	- 9.4
Honey		60.0	210.7	57.5	12.0	- 0.3	- 4.2	- 9.9	-24.2	- 4.0
Fishing		-17.7	-30.8	-22.2	20.0	42.9	- 5.0	-15.8	-41.7	164.3
INDUSTRY		1.2	1.3	- 4.8	- 3.2	61.9	97.1	44.6	- 2.7	8.1
SERVICES		- 5.7	2.6	117.4	25.0	64.8	101.7	1.2	78.7	45.6
REAL ESTATE		- 8.5	-33.7	- 7.1	7.5	-16.2	- 4.8	42.5	17.5	8.7
COMMERCE		7.6	68.1	-15.9	-24.8	-25.7	24.3	-30.4	-23.6	58.8
CONSUMPTION		- 2.5	-50.2	-51.3	1.3	-23.1	-11.7	83.0	23.7	30.0
OTHER		----	----	----	----	----	----	----	----	----
TOTAL		8.7	7.0	6.8	5.7	12.6	16.9	13.1	- 0.9	6.7

SOURCE: Computed from Table 35.

TABLE 37. HONDURAS: COMMERCIAL BANKS. LOANS OUTSTANDING AT THE END OF THE YEAR.
ANNUAL RATES OF GROWTH IN REAL TERMS. (PERCENTAGES). 1971-1980.

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE		- 1.6	9.9	1.9	12.4	18.9	21.0	5.0	- 5.1	- 5.4
Crops		-16.1	2.0	6.2	37.9	18.8	41.7	3.7	1.9	- 1.0
Bananas		21.6	-42.7	110.2	82.5	-27.8	-16.0	-19.5	-26.9	-27.6
Coffee		-26.8	-28.7	23.1	46.5	55.1	65.8	-15.6	10.7	-13.0
Tobacco		57.7	- 8.7	30.2	29.1	1.0	7.2	149.3	-12.3	7.3
Cotton		1.0	-51.5	39.4	-36.1	191.4	252.6	17.4	19.4	-18.6
Sugar cane		- 5.9	30.6	-23.7	65.6	35.6	17.8	- 2.1	-12.9	33.6
Basic grains		-15.8	37.3	1.6	53.4	-29.4	0.7	50.4	----	23.0
Rice		-35.2	69.9	8.7	76.4	-34.4	27.2	68.8	-10.2	50.1
Corn		7.7	4.6	6.0	36.3	-20.8	-35.6	10.7	43.0	-72.8
Beans		-12.0	93.7	-46.3	-30.0	-36.2	17.9	-36.6	-31.0	106.1
Other		-22.4	37.4	- 3.5	1.6	5.2	32.8	- 4.3	1.1	- 8.3
Livestock		4.4	14.7	3.8	- 5.2	1.2	- 9.1	7.2	- 0.1	- 1.9
Other		27.6	16.3	- 9.2	0.7	57.1	19.1	6.0	-27.6	-25.6
Poultry		7.2	- 2.0	16.4	45.0	20.6	15.2	- 5.4	-34.3	- 7.9
Forestry		18.0	29.7	-34.1	-52.6	25.4	7.7	- 2.5	-19.3	-12.2
Honey		- 5.7	39.4	17.4	72.2	44.1	76.9	-42.6	11.8	17.1
Fishing		39.1	14.6	- 2.4	7.1	74.0	20.5	10.1	-27.3	-30.4
INDUSTRY		- 9.3	15.8	5.5	7.2	11.5	- 2.5	- 2.2	-16.3	-12.2
SERVICES		-19.8	18.9	54.5	18.7	2.3	35.1	0.7	20.3	-18.2
REAL ESTATE		3.2	8.1	5.5	2.5	21.5	7.5	- 0.9	- 4.8	-10.8
COMMERCE		37.3	30.1	-20.4	18.6	38.4	12.0	18.7	-21.4	- 2.9
CONSUMPTION		27.1	0.3	-25.1	6.3	16.5	9.6	7.3	-13.7	-10.3
OTHER		-10.5	- 5.7	72.4	16.0	- 5.3	1.2	6.0	15.4	25.7
TOTAL		3.4	15.1	0.6	39.2	- 5.3	11.8	5.3	- 8.6	- 8.9

SOURCE: Computed from Table 34.

TABLE 36. HONDURAS: BANKING SYSTEM. LOANS OUTSTANDING AT THE END OF THE YEAR.
ANNUAL RATES OF GROWTH IN REAL TERMS. (PERCENTAGES). 1971-1980.

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE		4.9	8.1	5.6	10.1	11.0	9.0	4.0	- 6.3	- 4.2
Crops		- 4.6	1.1	15.5	23.7	19.0	18.1	7.5	- 0.3	0.1
Bananas		53.8	-34.0	68.0	65.6	-17.8	-22.7	-17.4	-25.1	-24.1
Coffee		-20.6	-16.0	36.2	0.9	62.9	38.3	- 3.8	19.5	-17.0
Tobacco		9.0	- 3.2	10.3	3.5	- 7.1	- 4.9	70.0	-14.5	2.5
Cotton		115.9	- 9.7	15.5	-26.1	- 3.0	46.9	7.1	- 5.9	4.3
Sugar cane		-11.9	22.3	-10.7	43.3	65.8	49.9	11.7	-14.9	----
Basic grains		2.1	10.6	21.8	57.5	- 0.7	-12.2	15.7	- 8.1	13.8
Rice		19.5	29.2	9.2	94.1	-11.2	2.3	29.1	- 5.2	30.1
Corn		- 3.8	- 2.3	28.0	50.6	9.8	-19.8	8.7	- 8.9	- 2.2
Beans		- 2.0	30.9	28.2	10.4	-14.5	-17.6	- 0.3	-20.0	27.8
Other		- 5.1	26.5	- 1.5	57.9	0.7	- 1.7	1.3	- 0.3	26.6
Livestock		12.0	13.7	- 1.2	- 3.2	- 8.6	-10.4	- 4.3	-11.3	- 8.5
Other		27.7	15.4	- 9.0	2.6	47.5	16.9	4.1	-27.4	-24.8
Poultry		16.4	- 0.4	1.2	34.9	5.9	8.3	-11.6	-32.3	- 9.6
Forestry		13.6	29.4	-33.7	-51.9	24.5	7.7	- 2.4	-18.9	-12.1
Honey		27.1	148.3	48.9	21.9	10.0	20.4	-24.7	-11.8	5.1
Fishing		38.1	14.1	- 2.6	7.2	73.8	20.4	10.0	-27.4	-29.9
INDUSTRY		- 8.0	13.7	4.6	6.8	15.4	12.2	9.8	-11.7	- 4.6
SERVICES		-18.1	18.3	55.4	20.9	3.5	41.1	1.0	27.6	- 6.7
REAL ESTATE		15.6	13.3	6.8	8.9	5.3	14.7	4.3	2.5	3.7
COMMERCE		36.3	31.8	-19.1	16.9	32.4	12.2	17.6	-21.4	- 2.1
CONSUMPTION		27.3	1.4	-23.8	9.2	11.9	9.9	10.3	- 4.1	- 2.0
OTHER		-10.5	- 5.7	72.4	4.2	27.8	-16.5	6.0	15.4	25.7
TOTAL		6.9	14.2	2.6	11.1	13.6	13.9	7.6	- 5.3	- 2.6

SOURCE: Computed from Table 33.

TABLE 35. HONDURAS: DEVELOPMENT BANKS. LOANS OUTSTANDING AT THE END OF THE YEAR BY ACTIVITY FINANCED, IN REAL TERMS. ('000 CONSTANT LEMPIRAS OF 1966). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE		54,007	59,804	63,736	69,351	74,821	78,865	77,022	79,278	73,155	71,073
Crops		29,476	30,851	31,280	37,986	43,698	52,362	53,589	59,516	58,240	58,879
Bananas		37	269	249	224	207	348	183	173	145	132
Coffee		6,802	5,993	6,189	9,122	6,174	10,933	11,062	13,504	17,946	13,969
Tobacco		3,562	3,409	3,382	3,455	3,109	2,698	2,279	1,865	1,450	1,223
Cotton		7,095	8,267	7,730	8,857	6,586	5,865	7,004	7,217	5,966	7,105
Sugar cane		2,507	2,025	2,241	2,483	2,894	6,264	11,425	13,788	11,532	9,440
Basic grains		6,469	7,165	7,213	9,526	15,147	16,675	14,130	14,952	13,251	14,530
Rice		706	1,729	1,807	1,985	4,192	4,520	4,067	4,120	4,152	4,535
Corn		4,797	4,465	4,264	5,783	8,929	10,390	8,641	9,375	7,924	8,533
Beans		965	970	1,141	1,758	2,025	1,764	1,420	1,457	1,174	1,461
Other		3,000	3,721	4,272	4,315	9,577	9,577	7,504	8,013	7,897	12,476
Livestock		23,492	27,606	31,007	30,008	29,589	25,176	22,236	18,898	14,243	11,559
Other		1,038	1,346	1,448	1,356	1,533	1,326	11,096	863	671	635
Poultry		908	1,191	1,193	1,012	1,152	930	812	518	410	338
Forestry		16	32	34	34	31	28	32	32	32	29
Honey		35	56	174	274	307	306	293	264	200	192
Fishing		79	65	45	35	42	60	57	48	28	74
INDUSTRY		10,107	10,231	10,364	9,869	9,554	15,468	30,492	44,079	42,871	46,340
SERVICES		920	868	891	1,937	2,421	3,991	8,048	8,142	14,549	21,184
REAL ESTATE		1,019	932	618	574	617	517	492	701	824	896
COMMERCE		2,224	2,393	4,023	3,383	2,543	1,890	2,349	1,635	1,249	1,983
CONSUMPTION		325	317	158	77	78	60	53	97	120	156
OTHER		-----	-----	-----	-----	-----	564	-----	-----	-----	-----
TOTAL		68,604	74,549	79,794	85,194	90,036	101,358	118,458	133,934	132,771	141,634

SOURCE: Computed from Banco Central de Honduras, Boletín Estadístico Mensual. Several years. Values deflated by the general consumer price index as of December of each year.

TABLE 34. HONDURAS: COMMERCIAL BANKS. LOANS OUTSTANDING AT THE END OF THE YEAR BY ACTIVITY FINANCED, IN REAL TERMS. ('000 CONSTANT LEMPIRAS OF 1966). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE		50,649	49,861	54,842	55,904	62,838	74,717	90,409	94,928	90,076	85,236
Crops		23,536	19,736	20,135	21,389	29,493	35,042	49,652	51,472	52,441	51,931
Bananas		662	805	461	969	1,768	1,276	1,072	863	631	457
Coffee		10,091	7,384	5,263	6,480	9,493	14,725	24,413	20,610	22,824	19,855
Tobacco		968	1,527	1,394	1,815	2,343	2,366	2,537	6,324	5,549	5,952
Cotton		617	623	302	421	269	784	2,764	3,244	3,874	3,155
Sugar cane		3,017	2,839	3,707	2,827	4,682	6,351	7,484	7,329	6,384	8,531
Basic grains		3,152	2,655	3,646	3,703	5,682	4,012	4,041	6,079	6,078	7,473
Rice		1,619	1,049	1,782	1,937	3,416	2,241	2,850	4,812	4,320	6,483
Corn		1,300	1,400	1,465	1,553	2,116	1,675	1,079	1,194	1,708	465
Beans		233	205	397	213	149	95	112	71	49	101
Other		5,026	3,900	5,360	5,172	5,254	5,526	7,338	7,021	7,096	6,505
Livestock		19,292	20,147	23,107	23,987	22,741	23,016	20,923	22,425	22,402	21,973
Other		7,821	9,977	11,599	10,527	10,603	16,658	19,833	21,030	15,232	11,331
Poultry		1,325	1,420	1,392	1,620	2,349	2,833	3,264	3,088	2,029	1,868
Forestry		2,191	2,585	3,352	2,210	1,048	1,314	1,415	1,379	1,113	977
Honey		35	33	46	54	93	134	237	136	152	178
Fishing		4,268	5,938	6,807	6,641	7,113	12,375	14,916	16,425	11,936	8,306
INDUSTRY		67,831	61,493	71,214	75,154	80,550	89,827	87,616	85,658	71,684	62,958
SERVICES		22,635	18,161	21,593	33,354	39,589	40,518	54,741	55,144	66,358	54,298
REAL ESTATE		47,513	49,010	52,980	55,906	57,299	69,594	74,845	74,148	70,569	62,973
COMMERCE		38,603	52,998	68,930	54,852	65,043	89,991	100,759	119,576	94,000	91,291
CONSUMPTION		15,176	19,287	19,341	14,486	15,394	17,936	19,664	21,098	18,212	16,331
OTHER		1,672	1,496	1,410	2,431	2,819	2,671	2,702	2,863	3,303	4,151
TOTAL		244,082	252,308	290,311	292,089	406,688	385,255	430,737	453,419	414,205	377,241

SOURCE: Computed from Banco Central de Honduras, Boletín Estadístico Mensual. Several years. Values deflated by the general consumer price index as of December of each year.

TABLE 33. HONDURAS: BANKING SYSTEM. LOANS OUTSTANDING AT THE END OF THE YEAR BY ACTIVITY FINANCED, IN REAL TERMS. ('000 CONSTANT LEMPIRAS OF 1966). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	104,969	110,136	119,046	125,760	138,409	153,583	167,432	174,206	163,231	156,310	
Crops	53,282	50,843	51,424	59,381	73,472	87,404	103,241	110,988	110,681	110,810	
Bananas	699	1,075	710	1,193	1,976	1,624	1,255	1,037	777	590	
Coffee	17,163	13,633	11,453	15,603	15,751	25,658	35,475	34,115	40,771	33,824	
Tobacco	4,530	4,936	4,776	5,270	5,452	5,065	4,816	8,189	7,000	7,175	
Cotton	4,118	8,890	8,032	9,279	6,856	6,649	9,769	10,461	9,841	10,261	
Sugar cane	5,524	4,865	5,949	5,311	7,609	12,616	18,910	21,117	17,967	17,972	
Basic grains	9,622	9,820	10,860	13,230	20,833	20,687	18,172	21,032	19,329	22,004	
Rice	2,325	2,779	3,590	3,922	7,612	6,762	6,917	8,932	8,472	11,019	
Corn	6,097	5,866	5,730	7,336	11,045	12,127	9,720	10,569	9,632	9,421	
Beans	1,199	1,175	1,538	1,971	2,175	1,860	1,533	1,529	1,223	1,563	
Other	8,027	7,621	9,641	9,493	14,992	15,103	14,842	15,035	14,993	18,982	
Livestock	42,816	47,968	54,558	54,494	52,747	48,193	43,159	41,323	36,646	33,532	
Other	8,870	11,323	13,063	11,884	12,190	17,985	21,030	21,894	15,904	11,966	
Poultry	2,244	2,612	2,601	2,633	3,553	3,764	4,077	3,606	2,440	2,206	
Forestry	2,207	2,618	3,387	2,244	1,079	1,343	1,447	1,412	1,145	1,006	
Honey	70	89	221	329	401	441	531	400	353	371	
Fishing	4,347	6,004	6,852	6,677	7,155	12,436	14,973	16,474	11,964	8,381	
INDUSTRY	78,123	71,887	81,709	85,445	91,261	105,295	118,108	129,737	114,556	109,299	
SERVICES	23,582	19,319	22,847	35,500	42,922	44,510	62,790	63,425	80,908	75,482	
REAL ESTATE	54,009	62,458	70,779	75,584	82,330	86,692	99,434	103,734	106,366	110,316	
COMMERCE	40,849	55,658	73,379	59,358	69,391	91,882	103,106	121,214	95,249	93,274	
CONSUMPTION	15,569	19,827	20,100	15,309	16,718	18,712	20,566	22,680	21,755	21,319	
OTHER	1,672	1,496	1,410	2,431	2,532	3,235	2,702	2,863	3,303	4,151	
TOTAL	318,777	340,785	389,273	399,391	443,566	503,911	574,141	617,862	585,371	570,155	

SOURCE: Computed from Banco Central de Honduras, Boletín Estadístico Mensual. Several years. Values deflated by the general consumer price index as of December of each year.

TABLE 32. HONDURAS: DEVELOPMENT BANKS. NEW LOANS GRANTED DURING THE YEAR.
DISTRIBUTION BY ACTIVITY FINANCED. (PERCENTAGES). 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	67.3	72.8	75.9	78.8	89.9	85.7	84.2	78.1	73.8	75.5	67.8
Crops	59.3	55.8	56.0	54.9	70.0	70.6	65.8	54.9	48.5	48.5	38.9
Bananas	----	----	----	----	----	----	----	----	----	----	----
Coffee	27.2	17.8	14.9	12.0	11.5	9.7	9.8	9.8	9.7	9.3	11.8
Tobacco	----	----	----	----	2.7	4.0	7.9	8.6	3.7	3.9	2.6
Cotton	24.4	28.9	31.5	31.3	44.5	45.1	35.1	23.8	24.2	18.9	9.7
Sugar cane	----	----	----	----	----	----	5.2	2.4	0.5	3.6	2.3
Basic grains	----	----	----	----	----	----	7.7	9.0	4.1	8.3	7.7
Rice	----	----	----	----	----	----	0.5	1.0	0.3	0.6	0.5
Corn	----	----	----	----	----	----	5.7	6.6	3.1	6.7	5.9
Beans	----	----	----	----	----	----	1.5	1.5	0.7	1.0	1.2
Other	7.7	9.1	9.7	11.7	11.3	9.5	0.1	1.3	6.2	3.6	4.8
Livestock	8.0	17.1	19.7	23.5	18.8	14.1	17.3	22.6	24.2	27.3	27.5
Other	----	----	0.1	0.3	1.1	1.0	1.1	0.6	1.0	0.6	1.4
Poultry	----	----	0.1	0.3	1.1	1.0	1.1	0.6	1.0	0.5	1.1
Forestry	----	----	----	----	----	----	----	----	----	----	----
Honey	----	----	----	----	----	----	----	----	----	----	----
Fishing	----	----	----	----	----	----	----	----	----	----	0.2
INDUSTRY	4.9	6.9	10.7	9.7	6.7	11.0	8.5	10.3	8.0	8.0	16.7
SERVICES	----	0.5	2.2	2.3	0.1	2.3	1.8	1.5	0.8	1.9	1.8
REAL ESTATE	25.5	14.9	6.8	3.0	0.8	0.1	1.3	2.6	8.0	4.8	2.3
COMMERCE	2.2	4.8	4.4	6.1	2.8	0.7	2.4	3.4	3.2	8.7	10.6
CONSUMPTION	0.1	----	0.1	0.1	----	0.3	1.8	4.1	4.2	1.1	0.5
OTHER	----	----	----	----	----	----	----	----	----	----	----
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 31. HONDURAS: DEVELOPMENT BANKS. NEW LOANS GRANTED DURING THE YEAR.
DISTRIBUTION BY ACTIVITY FINANCED. (PERCENTAGES). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	67.8	72.8	83.0	78.7	77.3	86.6	71.0	60.5	59.5	50.8	39.5
Crops	38.9	42.4	47.1	44.2	52.8	66.3	58.5	54.0	53.9	47.1	37.1
Bananas	----	----	----	----	----	----	0.3	----	----	----	----
Coffee	11.8	14.7	12.4	12.6	15.6	10.5	22.9	28.7	30.1	24.0	12.9
Tobacco	2.6	2.3	5.8	2.5	2.5	1.8	0.8	0.1	0.1	----	0.1
Cotton	9.7	7.5	10.4	13.6	15.9	1.8	4.0	3.9	7.6	7.1	5.4
Sugar cane	2.3	3.4	2.2	1.9	2.1	2.8	9.6	15.4	4.7	7.1	3.2
Basic grains	7.7	10.0	10.9	8.3	12.9	24.6	15.8	4.6	8.0	5.4	7.0
Rice	0.5	1.5	3.4	1.7	1.8	7.6	3.0	1.2	1.5	1.9	1.7
Corn	5.9	7.2	6.2	5.6	8.6	14.5	11.6	3.0	5.9	3.2	4.7
Beans	1.2	1.3	1.3	1.0	2.5	2.3	1.2	0.4	0.6	0.3	0.6
Other	4.8	4.5	5.4	5.3	3.8	14.7	4.7	1.4	3.3	3.5	8.5
Livestock	27.5	29.1	34.1	33.3	23.6	18.9	12.0	6.2	5.3	3.6	2.1
Other	1.4	1.3	1.8	1.2	0.9	1.4	0.5	0.2	0.3	0.2	0.3
Poultry	1.1	1.1	1.7	0.9	0.6	1.1	0.3	0.1	0.2	0.1	0.1
Forestry	----	----	----	----	----	----	----	----	----	----	----
Honey	----	0.1	0.1	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.1
Fishing	0.2	----	----	----	----	----	----	----	----	----	0.1
INDUSTRY	16.7	15.6	9.1	9.9	7.8	7.2	20.4	30.7	33.0	35.2	31.2
SERVICES	1.8	2.2	1.4	1.6	4.3	2.6	6.1	6.6	3.6	12.3	26.9
REAL ESTATE.	2.3	1.6	0.9	0.3	0.4	0.4	----	0.1	0.3	0.3	0.5
COMMERCE	10.6	7.1	5.0	9.2	9.8	3.1	2.5	2.2	1.6	1.4	1.7
CONSUMPTION	0.5	0.7	0.7	0.3	0.1	0.1	----	----	0.1	----	0.1
OTHER	----	----	----	----	0.2	----	----	----	----	----	----
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 30. HONDURAS: COMMERCIAL BANKS. NEW LOANS GRANTED DURING THE YEAR.
DISTRIBUTION BY ACTIVITY FINANCED. (PERCENTAGES). 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	7.9	11.2	13.6	18.9	15.7	15.5	15.0	11.8	16.6	20.2	23.3
Crops	6.5	8.9	10.3	14.8	12.8	12.8	11.6	8.4	9.4	12.5	12.9
Bananas	---	---	---	---	---	---	---	---	0.2	0.3	0.3
Coffee	3.2	5.3	5.7	6.6	5.9	4.6	4.9	4.0	4.7	8.0	8.0
Tobacco	---	---	---	---	1.0	0.4	0.2	0.3	0.3	0.3	0.4
Cotton	0.2	0.7	1.5	4.5	3.1	4.1	1.9	1.0	0.7	0.6	0.2
Sugar cane	---	---	---	---	---	---	1.7	0.5	0.8	0.9	0.9
Basic grains	---	---	---	---	---	---	0.8	0.7	0.9	0.9	1.0
Rice	---	---	---	---	---	---	0.6	0.6	0.4	0.3	0.5
Corn	---	---	---	---	---	---	0.1	0.1	0.4	0.6	0.4
Beans	---	---	---	---	---	---	0.1	---	0.1	---	0.1
Other	3.2	2.9	3.2	3.8	2.8	3.7	2.2	1.9	1.8	1.6	2.2
Livestock	1.4	2.3	3.2	3.6	2.5	2.3	2.9	2.6	4.3	5.1	7.6
Other	---	---	0.1	0.4	0.4	0.4	0.5	0.8	2.9	2.5	2.7
Poultry	---	---	0.1	0.4	0.4	0.4	0.5	0.8	1.2	0.7	0.6
Forestry	---	---	---	---	---	---	---	---	1.3	1.5	1.0
Honey	---	---	---	---	---	---	---	---	---	---	---
Fishing	---	---	---	---	---	---	---	---	0.3	0.3	1.0
INDUSTRY	12.4	15.2	12.3	14.8	16.2	16.5	16.3	19.6	20.5	23.0	23.9
SERVICES	9.6	9.1	10.7	8.2	9.4	9.9	11.1	9.4	10.3	9.9	7.6
REAL ESTATE	12.1	11.1	10.7	7.9	9.0	10.3	10.5	12.0	13.8	14.2	15.6
COMMERCE	51.3	47.5	45.6	44.3	43.6	41.7	40.4	40.7	30.3	23.2	20.5
CONSUMPTION	6.7	5.8	7.2	6.0	6.2	6.1	6.7	6.5	8.2	9.0	8.5
OTHER	---	---	---	---	---	---	---	---	0.4	0.6	0.6
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 29. HONDURAS: COMMERCIAL BANKS. NEW LOANS GRANTED DURING THE YEAR.
DISTRIBUTION BY ACTIVITY FINANCED. (PERCENTAGES). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	23.3	25.2	24.1	22.4	17.8	15.8	23.2	25.8	20.2	18.9	18.0
Crops	12.9	12.2	8.7	9.7	7.9	9.8	16.6	20.4	15.3	14.2	12.0
Bananas	0.3	0.3	0.3	0.3	0.3	0.4	0.2	0.1	---	0.1	---
Coffee	8.0	7.5	5.1	6.1	4.0	4.4	13.2	15.0	10.5	7.5	5.1
Tobacco	0.4	0.3	0.5	0.6	0.5	0.6	0.5	0.6	1.1	2.1	1.5
Cotton	0.2	0.1	0.1	---	0.1	---	0.2	0.5	0.5	0.6	0.6
Sugar cane	0.9	1.0	0.7	0.9	0.8	1.3	1.0	1.3	1.1	1.7	1.9
Basic grains	1.0	1.0	0.7	0.5	0.9	1.2	0.6	0.6	0.9	1.0	1.5
Rice	0.5	0.5	0.2	0.2	0.5	0.7	0.3	0.5	0.7	0.8	1.4
Corn	0.4	0.4	0.4	0.2	0.3	0.4	0.2	0.2	0.1	0.1	0.1
Beans	0.1	0.1	0.1	---	---	---	---	---	---	---	---
Other	2.2	2.2	1.3	1.3	1.4	1.8	1.1	1.4	1.3	1.4	1.3
Livestock	7.6	9.7	12.2	9.1	6.8	3.6	2.9	2.2	2.5	4.3	4.4
Other	2.7	3.2	3.3	3.6	3.1	2.5	3.7	3.2	2.4	2.5	1.5
Poultry	0.6	0.6	0.5	0.5	0.5	0.7	0.6	0.8	0.6	0.4	0.5
Forestry	1.0	1.4	1.6	1.5	1.3	0.7	0.4	0.3	0.3	0.3	0.2
Honey	---	---	---	---	---	---	0.1	0.1	---	---	0.1
Fishing	1.0	1.2	1.1	1.6	1.3	1.0	2.7	2.1	1.5	1.8	0.8
INDUSTRY	23.9	24.9	23.3	26.0	23.3	22.6	20.8	19.5	18.4	17.2	18.3
SERVICES	7.6	9.1	6.4	5.8	11.8	13.4	9.8	10.5	10.2	14.1	15.6
REAL ESTATE	15.6	15.2	13.1	11.8	10.6	10.7	8.4	8.4	7.2	8.0	7.0
COMMERCE	20.5	17.8	25.3	26.9	30.4	32.1	32.7	30.6	39.2	34.9	35.2
CONSUMPTION	8.5	7.3	7.5	6.7	5.6	4.9	4.6	4.6	4.4	4.2	4.9
OTHER	0.6	0.5	0.4	0.3	0.5	0.4	0.6	0.5	0.5	0.6	1.1
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 28. HONDURAS: BANKING SYSTEM. NEW LOANS GRANTED DURING THE YEAR.
DISTRIBUTION BY ACTIVITY FINANCED. (PERCENTAGES). 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	17.5	17.9	23.5	29.6	29.4	29.8	27.4	21.8	24.5	25.6	27.4
Crops	15.0	13.9	17.6	21.9	23.3	24.2	21.1	15.1	14.6	15.5	15.1
Bananas	----	----	----	----	----	----	----	----	0.1	0.2	0.2
Coffee	7.0	6.5	7.0	7.3	6.6	5.7	5.4	4.5	5.1	7.5	8.0
Tobacco	----	----	----	----	1.3	1.2	1.7	1.6	0.8	0.6	0.6
Cotton	4.2	4.0	6.5	9.5	11.0	12.5	8.1	4.5	4.2	2.5	1.2
Sugar cane	----	----	----	----	----	----	2.2	0.7	0.7	1.2	1.0
Basic grains	----	----	----	----	----	----	2.1	2.0	1.3	1.7	1.8
Rice	----	----	----	----	----	----	0.5	0.6	0.3	0.3	0.5
Corn	----	----	----	----	----	----	1.2	1.1	0.8	1.2	1.1
Beans	----	----	----	----	----	----	0.3	0.3	1.2	0.2	0.2
Other	3.6	3.5	4.1	5.1	4.4	4.8	1.6	1.7	2.2	1.8	2.4
Livestock	2.5	3.9	5.9	7.3	5.6	5.1	5.7	6.0	7.5	7.6	9.5
Other	----	----	0.1	0.4	0.5	0.5	0.6	0.7	2.4	2.5	2.7
Poultry	----	----	0.1	0.4	0.5	0.5	0.6	0.7	1.1	0.7	0.6
Forestry	----	----	----	----	----	----	----	----	1.0	1.2	0.9
Honey	----	----	----	----	----	----	----	----	----	----	----
Fishing	----	----	----	----	----	----	----	----	0.2	0.6	1.2
INDUSTRY	10.4	13.1	11.5	13.2	14.7	16.6	17.2	20.0	21.1	23.0	24.6
SERVICES	7.6	7.4	9.1	6.7	7.2	8.7	8.7	7.3	8.5	8.6	6.8
REAL ESTATE	16.9	15.3	12.0	9.2	9.1	9.3	9.5	11.2	13.0	12.5	13.5
COMMERCE	40.4	39.2	36.6	35.2	24.8	30.1	30.2	31.3	24.8	22.1	20.1
CONSUMPTION	7.1	7.1	7.6	6.0	5.9	5.6	7.0	8.4	7.5	7.4	7.1
OTHER	----	----	----	----	----	----	----	----	0.6	0.7	0.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 27. HONDURAS: BANKING SYSTEM. NEW LOANS GRANTED DURING THE YEAR.
DISTRIBUTION BY ACTIVITY FINANCED. (PERCENTAGES). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	27.4	29.0	29.9	26.6	23.5	21.9	26.2	30.1	24.1	24.8	20.7
Crops	15.1	14.8	12.6	12.4	12.1	14.7	19.2	24.7	19.2	18.6	15.6
Bananas	0.2	0.2	0.2	0.2	0.2	0.4	0.2	0.1	---	---	---
Coffee	8.0	8.0	5.9	6.0	5.0	4.8	13.4	17.3	12.4	9.7	6.2
Tobacco	0.6	0.3	1.0	0.7	0.7	0.7	0.5	0.5	1.0	1.7	1.2
Cotton	1.2	0.8	1.2	1.4	1.7	1.1	0.5	1.8	1.3	1.5	1.4
Sugar cane	1.0	1.2	0.9	1.1	0.9	1.4	1.6	3.3	1.5	2.4	2.1
Basic grains	1.8	1.8	1.7	1.4	2.0	3.3	1.8	1.2	1.6	1.6	2.4
Rice	0.5	0.6	0.6	0.5	0.6	1.3	0.5	0.6	0.8	0.9	1.4
Corn	1.1	1.0	1.0	0.8	1.1	1.7	1.1	0.5	1.5	0.6	0.9
Beans	0.2	0.2	0.2	0.2	0.3	0.3	0.1	0.1	0.1	---	0.1
Other	2.4	2.3	1.7	1.7	1.6	3.0	1.3	1.4	1.5	1.7	2.4
Livestock	9.5	11.3	14.2	11.0	8.4	4.9	3.6	2.7	2.8	4.0	3.9
Other	2.7	2.9	3.0	3.2	2.8	2.3	3.4	2.5	2.1	2.1	1.3
Poultry	0.6	0.6	0.6	0.5	0.5	0.8	0.6	0.7	0.5	0.3	0.4
Forestry	0.9	1.2	1.4	1.3	1.1	0.6	0.4	0.2	0.2	0.2	0.2
Honey	---	---	---	---	---	---	---	0.1	---	---	---
Fishing	1.2	1.0	1.0	1.3	1.1	0.9	2.3	1.8	1.3	1.5	0.6
INDUSTRY	24.6	24.8	21.2	23.8	21.0	20.6	20.3	20.7	19.6	19.3	19.6
SERVICES	6.8	8.3	5.7	5.5	10.7	12.1	9.2	9.8	9.5	13.4	16.7
REAL ESTATE	13.5	14.4	13.5	13.3	11.6	11.7	10.1	9.0	8.1	9.1	9.2
COMMERCE	20.1	16.9	22.5	25.5	27.8	28.6	29.3	25.9	34.2	28.9	28.0
CONSUMPTION	7.1	6.2	6.9	6.1	5.1	4.6	4.4	4.0	4.1	4.1	5.0
OTHER	0.5	0.4	0.4	0.3	0.5	0.4	0.5	0.4	0.4	0.5	8.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 26. HONDURAS: DEVELOPMENT BANKS. LOANS OUTSTANDING AT THE END OF THE YEAR. DISTRIBUTION BY ACTIVITY FINANCED. (PERCENTAGES). 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	63.3	63.3	77.5	80.4	85.1	81.9	79.4	78.5	77.0	77.4	73.4
Crops	48.8	48.2	56.7	51.8	55.4	54.7	51.3	50.3	45.4	46.6	39.4
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	0.1	0.1	0.1
Coffee	18.2	16.1	15.6	13.1	12.6	10.5	10.5	11.4	10.2	8.2	7.8
Tobacco	-----	-----	-----	-----	-----	-----	-----	7.0	7.4	5.5	5.4
Cotton	21.5	21.9	31.6	27.7	29.2	28.5	21.6	16.7	15.0	18.9	10.5
Sugar cane	-----	-----	-----	-----	-----	-----	-----	-----	2.6	3.5	3.6
Basic grains	-----	-----	-----	-----	-----	-----	-----	-----	8.5	7.6	8.1
Rice	-----	-----	-----	-----	-----	-----	-----	-----	0.8	0.7	7.4
Corn	-----	-----	-----	-----	-----	-----	-----	-----	6.5	5.9	6.1
Beans	-----	-----	-----	-----	-----	-----	-----	-----	1.1	1.0	1.2
Other	9.4	10.3	9.5	10.9	13.6	15.7	19.1	15.2	1.6	2.7	4.0
Livestock	14.5	14.7	20.5	28.2	28.7	25.9	26.8	27.1	30.7	30.1	32.9
Other	-----	-----	0.3	0.5	1.0	1.2	1.3	1.1	0.9	0.8	1.2
Poultry	-----	-----	0.3	0.5	1.0	1.2	1.3	1.1	0.9	0.7	1.1
Forestry	-----	-----	-----	-----	-----	-----	-----	-----	---	---	---
Honey	-----	-----	-----	-----	-----	-----	-----	-----	---	---	---
Fishing	-----	-----	-----	-----	-----	-----	-----	-----	---	---	0.1
INDUSTRY	8.1	6.8	9.0	8.9	7.5	11.0	11.7	11.8	11.7	10.2	14.4
SERVICES	0.1	0.3	1.6	1.7	0.5	1.8	1.8	1.2	0.6	0.9	1.3
REAL ESTATE	27.6	28.4	9.6	7.2	5.1	3.5	3.9	4.5	6.6	7.5	7.4
COMMERCE	0.8	1.5	2.2	1.8	1.7	1.4	2.0	2.0	2.0	3.4	3.0
CONSUMPTION	0.1	-----	0.1	-----	-----	0.4	1.2	1.9	2.1	0.6	0.4
OTHER	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 25. HONDURAS: DEVELOPMENT BANKS. LOANS OUTSTANDING AT THE END OF THE YEAR.
DISTRIBUTION BY ACTIVITY FINANCED. (PERCENTAGES). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	73.4	78.7	80.2	79.9	81.4	83.1	77.8	65.0	59.2	55.1	50.2
Crops	39.4	43.0	41.4	39.2	44.6	48.5	51.7	45.2	44.4	43.9	41.6
Bananas	0.1	0.1	0.4	0.3	0.3	0.2	0.3	0.2	0.1	0.1	0.1
Coffee	7.8	9.9	8.0	7.8	10.7	6.9	10.8	9.3	10.1	13.5	9.9
Tobacco	5.4	5.2	4.6	4.2	4.1	3.5	2.7	1.9	1.4	1.1	0.9
Cotton	10.5	10.3	11.1	9.7	10.4	7.3	5.8	5.9	5.4	4.5	5.0
Sugar cane	3.6	3.7	2.7	2.8	2.9	3.2	6.2	9.6	10.3	8.7	6.7
Basic grains	8.1	9.4	9.6	9.0	11.2	16.8	16.5	11.9	11.2	10.0	10.3
Rice	7.4	1.0	2.3	2.3	2.3	4.7	4.5	3.4	3.1	3.1	3.2
Corn	6.1	7.0	6.0	5.3	6.8	9.9	10.3	7.3	7.0	6.0	6.0
Beans	1.2	1.4	1.3	1.4	2.1	2.3	1.7	1.2	1.1	0.9	1.0
Other	4.0	4.4	5.0	5.4	5.1	10.6	9.4	6.3	6.0	5.9	8.8
Livestock	32.9	34.2	37.0	38.9	35.2	32.9	24.8	18.8	14.1	10.7	8.2
Other	1.2	1.5	1.8	1.8	1.6	1.7	1.3	1.0	0.6	0.5	0.4
Poultry	1.1	1.3	1.6	1.5	1.2	1.3	0.9	0.7	0.4	0.3	0.2
Forestry	---	---	---	---	---	---	---	---	---	---	---
Honey	---	0.1	0.1	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.1
Fishing	0.1	0.1	0.1	0.1	---	---	0.1	---	---	---	0.1
INDUSTRY	14.4	14.7	13.7	13.0	11.6	10.6	15.3	25.7	32.9	32.3	32.7
SERVICES	1.3	1.3	1.2	1.1	2.3	2.7	3.9	6.8	6.1	11.0	15.0
REAL ESTATE	7.4	1.5	1.3	0.8	0.7	0.7	0.5	0.4	0.5	0.6	0.6
COMMERCE	3.0	3.2	3.2	5.0	4.0	2.8	1.9	2.0	1.2	0.9	1.4
CONSUMPTION	0.4	0.5	0.4	0.2	0.1	0.1	0.1	---	0.1	0.1	0.1
OTHER	---	---	---	---	---	---	0.6	---	---	---	---
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 24. HONDURAS: COMMERCIAL BANKS. LOANS OUTSTANDING AT THE END OF THE YEAR.
DISTRIBUTION BY ACTIVITY FINANCED. (PERCENTAGES). 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	12.6	14.2	13.3	14.8	14.4	15.7	17.2	14.9	18.2	17.2	19.8
Crops	10.7	11.4	9.3	10.7	10.8	11.8	13.0	10.8	10.3	9.6	10.2
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	0.2	0.4	0.5
Coffee	4.9	6.0	4.4	5.2	5.2	5.3	6.1	5.1	4.1	4.0	4.2
Tobacco	-----	-----	-----	-----	-----	-----	-----	0.3	0.4	0.6	0.6
Cotton	0.2	0.8	0.7	1.2	2.3	2.6	1.6	1.2	1.0	0.8	0.4
Sugar cane	-----	-----	-----	-----	-----	-----	-----	-----	1.6	1.4	1.0
Basic grains	-----	-----	-----	-----	-----	-----	-----	-----	1.3	1.1	1.2
Rice	-----	-----	-----	-----	-----	-----	-----	-----	0.4	0.2	0.5
Corn	-----	-----	-----	-----	-----	-----	-----	-----	0.8	0.8	0.5
Beans	-----	-----	-----	-----	-----	-----	-----	-----	0.1	0.1	0.1
Other	5.6	4.6	4.1	4.2	3.4	3.9	5.3	4.1	1.6	1.3	2.3
Livestock	2.0	2.7	3.9	3.8	3.3	3.5	3.6	3.8	4.9	5.6	6.5
Other	-----	-----	0.1	0.3	0.4	0.4	0.5	0.6	3.0	2.0	3.1
Poultry	-----	-----	0.1	0.3	0.4	0.4	0.5	0.6	0.9	0.7	0.8
Forestry	-----	-----	-----	-----	-----	-----	-----	-----	1.8	1.1	1.2
Honey	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Fishing	-----	-----	-----	-----	-----	-----	-----	-----	0.3	0.3	1.1
INDUSTRY	12.7	14.4	11.5	14.1	16.7	17.4	17.5	17.6	17.8	20.0	22.9
SERVICES	6.7	7.2	8.8	7.3	8.6	9.7	10.4	9.5	11.8	10.6	8.7
REAL ESTATE	24.3	21.3	19.1	16.6	16.4	15.7	14.5	14.7	20.8	21.6	19.9
COMMERCE	38.2	38.1	40.7	42.2	39.2	37.9	35.3	37.6	23.6	22.0	19.7
CONSUMPTION	6.6	4.9	6.6	5.0	4.7	4.9	5.1	5.6	7.0	7.3	7.8
OTHER	-----	-----	-----	-----	-----	-----	-----	-----	0.9	1.2	1.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 23. HONDURAS: COMMERCIAL BANKS. LOANS OUTSTANDING AT THE END OF THE YEAR.
DISTRIBUTION BY ACTIVITY FINANCED. (PERCENTAGES). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	19.8	20.8	19.8	18.9	19.1	19.4	19.4	21.0	20.9	21.7	22.6
Crops	10.2	9.6	7.8	6.9	7.3	9.1	9.1	11.5	11.4	12.7	13.8
Bananas	0.5	0.3	0.3	0.2	0.3	0.5	0.3	0.2	0.2	0.2	0.1
Coffee	4.2	4.1	2.9	1.8	2.2	2.9	3.8	5.7	4.5	5.5	5.3
Tobacco	0.6	0.4	0.6	0.5	0.6	0.7	0.6	0.6	1.4	1.3	1.6
Cotton	0.4	0.3	0.2	0.1	0.1	0.1	0.2	0.6	0.7	0.9	0.8
Sugar cane	1.0	1.2	1.1	1.3	1.0	1.4	1.6	1.7	1.6	1.5	2.3
Basic grains	1.2	1.3	1.1	1.3	1.3	1.8	1.0	0.9	1.3	1.5	2.0
Rice	0.5	0.7	0.4	0.6	0.7	1.1	0.6	0.7	1.1	1.0	1.7
Corn	0.5	0.5	0.6	0.5	0.5	0.7	0.4	0.3	0.3	0.4	0.2
Beans	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	---
Other	2.3	2.1	1.5	1.8	1.8	1.6	1.4	1.7	1.5	1.7	1.7
Livestock	6.5	7.9	8.0	8.0	8.2	7.0	6.0	4.9	4.9	5.4	5.8
Other	3.1	3.2	4.0	4.0	3.6	3.3	4.3	4.6	4.6	3.7	3.0
Poultry	0.8	0.5	0.6	0.5	0.6	0.7	0.7	0.8	0.7	0.5	0.5
Forestry	1.2	0.9	1.0	1.2	0.8	0.3	0.3	0.3	0.3	0.3	0.3
Honey	---	---	---	---	---	---	---	0.1	---	---	---
Fishing	1.1	1.7	2.4	2.3	2.3	2.2	3.0	3.5	3.6	2.9	2.2
INDUSTRY	22.9	27.8	24.4	24.5	25.7	24.9	23.3	20.3	18.9	17.3	16.7
SERVICES	8.7	9.3	7.2	7.4	11.4	12.2	10.5	17.7	12.2	16.0	14.4
REAL ESTATE	19.9	19.5	19.4	18.2	19.1	17.7	18.1	17.4	16.4	17.0	16.7
COMMERCE	19.7	15.8	21.0	23.7	18.8	20.1	23.4	23.4	26.4	22.7	24.2
CONSUMPTION	7.8	6.2	7.6	6.7	5.0	4.8	4.7	4.6	4.7	4.4	4.3
OTHER	1.0	0.7	0.6	0.5	0.8	0.8	0.7	0.6	0.6	0.8	1.1
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 22. HONDURAS: BANKING SYSTEM. LOANS OUTSTANDING AT THE END OF THE YEAR.
DISTRIBUTION BY ACTIVITY FINANCED. (PERCENTAGES). 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	20.0	20.9	24.6	28.3	30.3	31.5	31.0	29.5	32.0	31.5	31.6
Crops	15.9	16.4	17.7	19.0	20.6	21.5	20.8	19.2	18.0	17.6	16.0
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	0.1	0.3	0.3
Coffee	6.5	6.9	6.1	6.4	6.4	5.9	6.3	5.9	5.2	4.6	4.7
Tobacco	-----	-----	-----	-----	-----	-----	-----	1.9	2.1	1.7	1.6
Cotton	4.1	4.6	7.0	7.3	8.7	8.9	6.4	4.9	4.3	5.0	2.5
Sugar cane	-----	-----	-----	-----	-----	-----	-----	-----	1.8	1.9	1.5
Basic grains	-----	-----	-----	-----	-----	-----	-----	-----	3.0	2.6	2.7
Rice	-----	-----	-----	-----	-----	-----	-----	-----	0.5	0.3	0.5
Corn	-----	-----	-----	-----	-----	-----	-----	-----	2.2	1.9	1.8
Beans	-----	-----	-----	-----	-----	-----	-----	-----	0.3	0.3	0.3
Other	5.3	4.9	4.6	5.3	5.6	6.6	8.2	6.4	1.5	1.6	2.5
Livestock	3.9	4.5	6.8	9.0	9.2	9.4	9.5	9.7	11.7	11.9	12.5
Other	-----	-----	0.1	0.3	0.5	0.6	0.7	0.7	2.3	2.0	3.1
Poultry	-----	-----	0.1	0.3	0.5	0.6	0.7	0.7	0.9	0.6	0.8
Forestry	-----	-----	-----	-----	-----	-----	-----	-----	1.2	0.7	0.8
Honey	-----	-----	-----	-----	-----	-----	-----	-----	---	---	---
Fishing	-----	-----	-----	-----	-----	-----	-----	-----	0.2	0.6	1.5
INDUSTRY	9.8	10.7	9.4	11.2	13.8	16.6	19.0	18.6	19.7	20.7	23.2
SERVICES	4.4	4.8	6.0	5.1	5.7	7.3	7.5	6.6	8.7	8.2	6.9
REAL ESTATE	35.2	33.1	26.7	27.8	20.0	17.0	15.3	15.2	16.9	14.1	16.3
COMMERCE	25.0	25.1	26.9	27.7	25.7	23.1	22.0	23.7	16.6	16.5	15.7
CONSUMPTION	5.7	5.4	6.4	4.9	4.6	4.5	5.1	6.2	5.1	5.1	5.5
OTHER	-----	-----	-----	-----	-----	-----	-----	-----	1.0	0.8	0.7
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 21. HONDURAS: BANKING SYSTEM. LOANS OUTSTANDING AT THE END OF THE YEAR.
DISTRIBUTION BY ACTIVITY FINANCED. (PERCENTAGES). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	31.6	32.9	32.3	30.6	31.5	31.2	30.5	29.2	28.2	27.9	27.4
Crops	16.0	16.7	14.9	13.2	14.9	16.6	17.3	18.0	18.0	18.9	19.4
Bananas	0.3	0.2	0.3	0.2	0.3	0.4	0.3	0.2	0.2	0.1	0.1
Coffee	4.7	5.4	4.0	2.9	3.9	3.6	5.1	6.2	5.5	7.0	4.4
Tobacco	1.6	1.4	1.4	1.2	1.3	1.2	1.0	0.8	1.3	1.2	0.1
Cotton	2.5	2.4	2.6	2.1	2.3	1.5	1.3	1.7	1.7	1.7	1.8
Sugar cane	1.5	1.7	1.4	1.5	1.3	1.7	2.5	3.3	3.4	3.1	3.2
Basic grains	2.7	3.0	2.9	2.8	3.3	4.7	4.1	3.2	3.4	3.3	3.9
Rice	0.5	0.7	0.8	0.9	1.0	1.7	1.3	1.2	1.4	1.4	1.9
Corn	1.8	1.9	1.7	1.5	1.8	2.5	2.4	1.7	1.7	1.6	1.7
Beans	0.3	0.4	0.3	0.4	0.5	0.5	0.4	0.3	0.2	0.2	0.3
Other	2.5	2.5	2.2	2.5	2.4	3.4	3.0	2.6	2.4	2.6	3.3
Livestock	12.5	13.4	14.1	14.0	13.6	11.9	9.6	7.5	6.7	6.3	5.9
Other	3.1	2.8	3.3	3.4	3.0	2.7	3.6	3.7	3.5	2.7	2.1
Poultry	0.8	0.7	0.8	0.7	0.7	0.8	0.7	0.7	0.6	0.4	0.4
Forestry	0.8	0.7	0.8	0.9	0.6	0.2	0.3	0.3	0.2	0.2	0.2
Honey	---	---	---	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Fishing	1.5	1.4	1.8	1.8	1.7	1.6	2.5	2.6	2.7	2.0	1.5
INDUSTRY	23.2	24.5	21.1	21.0	21.4	20.6	20.9	20.6	21.0	19.6	19.2
SERVICES	6.9	7.4	5.7	5.9	8.9	9.7	8.8	10.9	10.3	13.8	13.2
REAL ESTATE	16.3	16.9	18.3	18.2	18.9	18.6	17.2	17.3	16.8	18.2	19.3
COMMERCE	15.7	12.8	16.3	18.9	14.9	15.6	18.2	20.0	19.6	16.3	16.4
CONSUMPTION	5.5	4.9	5.8	5.2	3.8	3.8	3.7	3.6	3.7	3.7	3.7
OTHER	0.7	0.5	0.4	0.4	0.6	0.6	0.6	0.5	0.5	0.6	0.7
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 20. HONDURAS: NEW LOANS GRANTED DURING THE YEAR. PROPORTION REPRESENTED BY THE DEVELOPMENT BANKS WITH RESPECT TO THE BANKING SYSTEM. (PERCENTAGES). 1960-1970.

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	64.9	48.8	54.8	51.2	59.2	61.0	59.3	56.5	45.1	31.9	25.8
Crops	66.5	47.9	54.2	48.2	58.2	61.9	60.1	57.4	49.6	34.2	33.9
Bananas	--	--	--	--	--	--	--	--	1.2	1.4	1.3
Coffee	65.2	33.0	36.4	31.4	33.7	43.4	35.0	34.1	28.6	13.4	15.3
Tobacco	--	--	--	--	39.8	72.8	91.9	84.3	70.9	64.7	46.5
Cotton	97.1	86.5	82.2	63.6	78.2	76.6	83.5	82.9	87.2	81.5	85.5
Sugar cane	--	--	--	--	--	--	45.6	51.5	10.5	32.5	23.3
Basic grains	--	--	--	--	--	--	71.4	72.4	46.0	53.0	45.0
Rice	--	--	--	--	--	--	17.5	24.3	12.3	23.3	11.8
Corn	--	--	--	--	--	--	91.6	95.4	56.8	58.4	56.8
Beans	--	--	--	--	--	--	83.1	90.2	63.5	64.6	55.3
Other	34.7	31.2	40.0	43.7	50.2	43.0	1.2	11.8	38.1	22.1	21.5
Livestock	54.8	52.1	57.2	61.9	65.0	58.4	58.8	59.4	48.5	38.9	30.3
Other	--	--	28.3	17.3	41.6	46.0	34.5	12.8	6.5	2.7	5.1
Poultry	--	--	28.3	17.3	41.6	46.0	34.5	12.8	13.6	8.5	18.5
Forestry	--	--	--	--	--	--	--	--	--	--	0.3
Honey	--	--	--	--	--	--	--	--	4.2	28.6	29.8
Fishing	--	--	--	--	--	--	--	--	0.5	0.7	1.4
INDUSTRY	7.9	6.3	15.9	14.2	8.8	14.0	9.6	8.1	5.7	3.7	7.1
SERVICES	--	0.8	4.1	6.7	0.1	5.5	4.0	3.1	0.1	2.4	3.4
REAL ESTATE	25.5	11.7	9.6	6.2	1.6	0.2	2.7	0.4	9.2	4.2	1.8
COMMERCE	0.9	1.5	2.0	3.3	1.5	0.5	1.5	1.7	1.9	4.3	5.5
CONSUMPTION	0.1	--	0.1	0.4	0.1	1.1	5.0	7.7	8.4	1.6	0.8
OTHER	--	--	--	--	--	--	--	--	--	--	--
TOTAL	16.9	12.0	17.0	19.2	19.4	21.2	19.3	15.8	14.9	10.8	10.4

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 19. HONDURAS: NEW LOANS GRANTED DURING THE YEAR. PROPORTION REPRESENTED BY THE DEVELOPMENT BANKS WITH RESPECT TO THE BANKING SYSTEM. (PERCENTAGES). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	25.8	24.7	28.8	29.0	33.4	36.5	21.7	28.2	27.0	30.1	31.6
Crops	33.9	26.8	38.7	34.9	44.0	41.6	24.4	24.2	30.8	37.1	39.4
Bananas	1.3	---	---	---	---	---	13.2	---	---	---	---
Coffee	15.3	18.1	21.7	20.7	31.4	20.1	13.8	23.3	26.6	36.3	34.7
Tobacco	46.5	87.3	59.8	37.0	38.6	23.9	13.8	1.5	1.0	---	1.0
Cotton	85.5	94.6	92.2	97.7	96.5	14.8	72.8	30.9	66.1	68.3	65.7
Sugar cane	23.3	27.6	25.9	17.4	24.3	18.0	46.9	66.4	35.4	43.2	25.5
Basic grains	45.0	53.9	64.9	57.6	63.6	68.8	72.2	54.8	53.9	50.0	48.7
Rice	11.8	24.8	63.7	34.2	29.2	52.9	44.5	31.0	20.1	29.1	20.1
Corn	56.8	69.4	66.7	71.9	77.1	78.1	84.5	76.3	87.3	81.7	88.5
Beans	55.3	61.2	60.5	59.6	87.4	88.1	86.2	81.8	88.3	75.8	87.6
Other	21.5	19.2	33.7	30.2	23.7	45.7	28.6	14.5	25.0	30.7	58.6
Livestock	30.3	25.3	24.8	29.7	28.2	35.7	26.8	32.2	20.9	13.0	9.1
Other	5.1	4.3	6.1	3.8	3.3	5.6	1.2	1.2	1.4	1.1	3.3
Poultry	18.5	19.1	27.7	16.9	11.3	13.3	3.7	2.8	3.8	4.3	5.0
Forestry	0.3	0.2	0.2	0.3	0.1	0.1	---	0.1	0.4	0.3	0.2
Honey	29.8	32.1	32.9	59.2	66.8	44.8	21.9	23.5	23.8	25.2	22.1
Fishing	1.4	0.3	0.1	---	---	0.3	0.2	---	0.2	---	1.6
INDUSTRY	7.1	6.2	4.4	4.1	3.8	3.2	8.1	20.8	18.4	26.7	26.5
SERVICES	3.4	2.6	2.5	2.9	4.1	2.0	5.3	9.5	6.4	13.5	26.7
REAL ESTATE	1.8	1.1	0.7	0.3	0.4	0.4	---	0.1	0.4	0.5	0.9
COMMERCE	5.5	4.1	2.3	3.5	3.6	1.0	0.7	1.2	0.5	0.7	1.0
CONSUMPTION	0.8	1.2	1.0	0.5	0.2	0.2	0.1	0.1	0.3	0.2	0.5
OTHER	---	---	---	---	0.4	---	---	---	---	---	---
TOTAL	10.4	9.8	10.3	9.8	10.1	9.2	8.0	14.0	11.0	14.7	16.6

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 47. HONDURAS: COMMERCIAL BANKS. NEW LOANS GRANTED DURING THE YEAR.
ANNUAL RATES OF GROWTH IN REAL TERMS. (PERCENTAGES). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	47.1	6.6	11.1	-12.3	-11.3	- 3.4	87.8	29.0	-15.1	- 0.3	-39.0
Crops	31.8	- 6.9	-17.7	5.7	- 9.5	-86.3	116.8	42.8	-18.7	-10.6	-40.0
Bananas	19.6	2.3	15.3	2.9	5.5	62.4	-44.3	-40.6	-81.6	289.9	-52.7
Coffee	28.0	- 8.0	-20.5	11.4	-26.1	20.1	280.2	39.7	-28.3	-31.4	-51.3
Tobacco	71.4	-30.9	103.3	9.4	- 3.0	39.4	3.8	44.5	97.1	81.5	-49.2
Cotton	-53.3	-75.0	130.7	-62.4	79.2	-60.1	668.9	286.0	8.9	15.2	-28.1
Sugar cane	26.5	7.9	-14.2	15.2	- 4.5	114.8	-20.1	58.8	-10.2	48.5	-17.5
Basic grains	34.6	- 2.5	-16.6	-26.5	76.1	49.5	-40.1	32.8	48.0	6.5	14.6
Rice	119.3	12.7	-49.4	-13.0	171.4	49.6	-39.2	57.1	74.2	4.7	21.8
Corn	-14.0	-14.2	22.9	-35.9	33.6	57.2	-42.8	- 6.8	-24.6	12.8	-25.2
Beans	109.6	-22.6	23.9	-24.1	-43.2	- 5.5	-40.9	- 7.7	-16.7	72.9	-28.1
Other	77.2	- 1.6	-32.5	- 0.2	18.4	39.4	-24.1	52.4	- 3.2	5.5	-35.0
Livestock	89.1	24.5	45.2	-29.2	-16.5	-43.1	4.5	-12.8	26.4	60.3	-25.8
Other	37.1	18.6	17.9	3.0	- 3.0	-13.4	93.3	0.3	-20.8	1.3	-56.0
Poultry	5.5	- 8.2	6.4	- 9.0	16.2	52.3	3.6	57.2	-21.1	-39.0	- 6.0
Forestry	- 9.3	37.0	30.2	-13.6	- 4.7	-36.3	-28.6	-21.1	6.5	- 3.2	-41.9
Honey	28.6	36.1	69.4	19.3	-26.3	87.7	110.0	13.9	-53.0	15.6	36.0
Fishing	350.0	15.8	-87.8	32.1	- 7.1	-18.8	252.3	- 9.1	-23.3	17.7	-69.6
INDUSTRY	32.9	2.4	8.4	5.5	5.7	5.7	17.6	8.9	2.5	-10.5	-24.5
SERVICES	- 2.7	18.8	-19.2	-14.5	128.1	23.9	- 6.9	25.0	5.2	32.1	-21.2
REAL ESTATE	40.4	- 4.2	- 0.3	-14.8	0.8	9.1	0.5	16.5	- 7.2	6.9	-38.2
COMMERCE	12.9	-14.6	64.7	0.6	26.2	14.8	30.0	8.6	39.2	-14.7	-28.2
CONSUMPTION	20.2	-15.5	19.6	-15.4	- 7.5	- 4.1	18.9	16.7	3.6	- 7.7	-16.7
OTHER	38.5	-15.3	- 8.0	-33.3	94.0	-15.6	81.1	6.5	- 3.7	23.3	27.7
TOTAL	27.5	- 1.5	16.0	- 5.7	11.8	8.7	27.9	16.0	8.6	- 4.2	-28.8

SOURCE: Computed from Table 41.

TABLE 48. HONDURAS: COMMERCIAL BANKS. NEW LOANS GRANTED DURING THE YEAR.
ANNUAL RATES OF GROWTH IN REAL TERMS. (PERCENTAGES). 1961-1970.

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	53.2	42.7	44.2	2.9	21.2	17.3	5.1	-40.7	69.5	47.1
Crops	48.6	36.3	49.0	6.7	23.2	9.4	- 2.8	-51.6	86.2	31.8
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	126.7	19.6
Coffee	81.7	25.8	20.7	9.7	- 4.3	29.8	9.3	-18.3	134.3	28.0
Tobacco	-----	-----	-----	-----	-47.4	-49.4	141.2	-85.5	30.1	71.4
Cotton	360.0	163.5	210.4	-13.7	62.5	-10.8	-25.6	-88.1	14.9	-53.3
Sugar cane	-----	-----	-----	-----	-----	-----	-62.0	-12.3	56.3	26.5
Basic grains	-----	-----	-----	-----	-----	-----	17.4	-66.0	52.8	34.6
Rice	-----	-----	-----	-----	-----	-----	38.4	-49.6	- 5.0	119.3
Corn	-----	-----	-----	-----	-----	-----	-36.7	-72.5	114.3	-14.0
Beans	-----	-----	-----	-----	-----	-----	-45.5	-78.2	45.7	109.6
Other	0.1	27.5	23.9	- 7.7	61.3	-29.3	14.9	-19.6	22.4	77.2
Livestock	73.7	62.9	18.2	-14.2	12.4	49.9	19.5	-43.9	65.7	89.1
Other	-----	-----	589.3	16.4	14.8	87.9	98.0	218.5	21.0	37.1
Poultry	-----	-----	589.3	16.4	14.8	87.9	98.0	59.2	-17.9	5.5
Forestry	-----	-----	-----	-----	-----	-----	-----	-----	54.1	- 9.3
Honey	-----	-----	-----	-----	-----	-----	-----	-----	27.3	28.6
Fishing	-----	-----	-----	-----	-----	-----	-----	-----	36.1	350.0
INDUSTRY	32.3	- 4.7	24.7	34.8	24.9	20.5	60.4	-20.0	55.8	32.9
SERVICES	1.6	39.8	-21.1	41.6	30.2	35.6	13.9	9.3	34.5	- 2.7
REAL ESTATE	- 0.5	13.5	-23.6	40.9	40.8	24.1	52.3	- 3.5	42.8	40.4
COMMERCE	- 0.1	13.7	0.7	21.4	17.4	17.9	34.6	-24.3	6.5	12.9
CONSUMPTION	- 5.4	45.5	-13.3	26.9	20.9	33.6	31.1	-23.9	52.9	20.2
OTHER	-----	-----	-----	-----	-----	-----	-----	-----	109.4	38.5
TOTAL	7.9	18.5	3.6	23.4	22.8	21.6	33.7	-21.9	39.1	27.5

SOURCE: Computed from Table 42.

TABLE 49. HONDURAS: DEVELOPMENT BANKS. NEW LOANS GRANTED DURING THE YEAR.
ANNUAL RATES OF GROWTH IN REAL TERMS. (PERCENTAGES). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	8.8	- 1.8	33.9	1.2	- 4.5	10.6	- 8.8	78.7	-19.6	15.9	-34.7
Crops	- 2.9	- 0.2	30.2	-59.3	16.2	23.9	- 1.8	93.8	-18.5	18.6	-33.8
Bananas	22.2	-72.7	-33.3	----	----	----	----	----	----	----	----
Coffee	53.2	14.6	- 1.2	8.2	20.8	-33.5	142.0	162.7	-14.2	7.9	-54.6
Tobacco	-19.1	-17.6	191.9	-53.9	- 2.8	-29.2	-47.9	-86.1	34.5	42.3	33.3
Cotton	-37.6	-29.8	63.1	39.9	13.6	-89.0	171.6	86.8	60.9	27.4	36.1
Sugar cane	-24.3	38.6	-25.3	- 8.2	9.9	29.2	285.9	236.3	-75.1	106.6	-62.8
Basic grains	11.8	19.4	28.4	-18.8	50.9	88.5	-28.8	-39.0	42.8	- 9.1	9.0
Rice	1.9	164.9	168.2	-17.2	5.4	307.9	-55.8	-13.6	- 2.2	70.0	-25.4
Corn	8.0	10.6	0.8	- 2.8	48.5	66.6	-10.7	-46.2	61.9	-27.0	24.3
Beans	42.4	----	19.1	-19.1	141.2	1.8	-50.3	-33.6	41.1	-28.7	62.0
Other	63.2	-15.8	41.8	4.8	-31.2	288.3	-64.5	-35.8	90.0	40.3	107.5
Livestock	22.3	- 3.4	37.7	4.0	-31.2	-20.8	-29.3	8.3	29.4	- 9.8	-50.0
Other	163.9	-14.9	68.1	-26.1	-29.3	51.7	-60.5	2.4	- 8.7	-23.0	38.4
Poultry	164.9	- 6.4	71.5	-43.5	-37.2	91.1	-71.0	1.4	5.5	-30.7	11.3
Forestry	- 9.1	-10.0	44.4	30.8	-76.5	-50.0	----	----	200.0	-16.7	-80.0
Honey	36.4	53.3	73.2	275.0	- 2.0	-92.5	-27.9	26.3	-52.5	25.0	13.3
Fishing	400.0	-85.7	-70.0	-----	-----	-----	57.1	-90.9	950.0	-80.9	1300.0
INDUSTRY	153.6	-14.4	-31.9	17.0	-23.3	26.1	216.2	215.1	-12.1	44.8	-25.4
SERVICES	39.7	- 9.6	-24.9	23.8	158.8	-40.6	160.1	129.0	-31.0	198.3	84.1
REAL ESTATE	-43.1	-35.4	-37.4	-60.0	28.2	3.7	-95.5	966.7	191.7	26.4	40.7
COMMERCE	47.2	-38.5	-18.1	97.4	4.2	-68.6	-11.7	82.2	-40.8	20.8	4.2
CONSUMPTION	-40.9	26.3	10.6	-54.1	-71.2	15.0	-67.4	33.3	355.0	-38.5	142.9
OTHER	----	----	----	----	----	----	----	----	----	----	----
TOTAL	21.2	- 8.6	17.3	6.8	- 2.8	- 1.2	11.2	109.8	-18.2	35.6	-16.0

SOURCE: Computed from Table 43.

TABLE 50. HONDURAS: DEVELOPMENT BANKS. NEW LOANS GRANTED DURING THE YEAR.
ANNUAL RATES OF GROWTH IN REAL TERMS. (PERCENTAGES). 1961-1970

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
AGRICULTURE	-20.6	81.5	24.7	44.0	36.4	6.5	- 2.6	- 8.7	- 2.7	8.8
Crops	-31.0	75.1	17.7	60.9	44.1	1.2	-12.4	-14.6	- 4.9	- 2.9
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	200.0	22.2
Coffee	-52.0	45.7	- 3.5	21.4	44.9	- 8.6	4.6	- 3.8	- 9.7	53.9
Tobacco	-----	-----	-----	-----	112.7	115.7	13.7	-58.0	- 1.9	-19.1
Cotton	-13.1	90.1	19.5	79.4	45.1	-15.7	-28.7	- 1.7	-25.8	-37.6
Sugar cane	-----	-----	-----	-----	-----	-----	-51.7	-79.9	59.2	-24.3
Basic grains	-----	-----	-----	-----	-----	-----	22.8	-55.9	92.2	11.8
Rice	-----	-----	-----	-----	-----	-----	108.9	-71.2	10.7	1.9
Corn	-----	-----	-----	-----	-----	-----	21.0	-53.7	100.0	8.0
Beans	-----	-----	-----	-----	-----	-----	2.3	-56.2	46.2	42.4
Other	-13.5	85.2	44.7	22.9	23.3	-98.9	1211.4	362.4	-44.7	63.2
Livestock	56.1	101.2	43.3	0.7	7.7	32.8	37.4	3.5	7.1	22.3
Other	-----	-----	265.6	312.6	35.8	13.5	-45.0	75.0	-43.0	163.9
Poultry	-----	-----	265.6	312.6	35.8	13.5	-45.0	72.2	-52.5	164.9
Forestry	-----	-----	-----	-----	-----	-----	-----	-----	-----	- 9.1
Honey	-----	-----	-----	-----	-----	-----	-----	-----	-----	36.4
Fishing	-----	-----	-----	-----	-----	-----	-----	-----	600.0	400.0
INDUSTRY	3.3	171.5	8.5	-13.0	134.3	-15.5	26.6	-24.6	- 5.6	153.6
SERVICES	-----	676.1	29.5	-97.3	6228.9	-13.5	-15.2	-44.1	116.9	39.7
REAL ESTATE	-57.0	-20.9	-47.7	-66.9	-86.1	1800.8	103.3	200.3	-42.5	-43.1
COMMERCE	59.5	57.9	57.4	-46.7	-61.0	269.8	50.8	- 9.5	157.0	47.2
CONSUMPTION	-100.0	-----	144.8	-66.2	1175.0	586.3	139.3	- 0.6	-75.5	-40.9
OTHER	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL	-26.6	74.3	20.1	26.2	43.0	8.5	4.9	- 3.3	- 4.9	21.2

SOURCE: Computed from Table 44.

TABLE 51. HONDURAS: BANAFON AND BANADESA. LOANS OUTSTANDING AT THE END OF THE YEAR, BY ACTIVITY FINANCED. ('000 LEMPIRAS). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	52,905	58,964	69,490	79,088	94,403	112,933	119,637	116,127	125,877	143,907	146,546
Crops	28,189	31,830	35,628	38,305	50,489	65,959	77,404	75,952	90,154	111,831	117,738
Bananas	40	40	314	314	314	314	314	314	314	314	314
Coffee	5,677	6,666	7,022	7,779	12,780	9,324	17,428	18,973	24,417	38,603	33,010
Tobacco	3,959	3,965	3,999	4,255	4,841	4,695	4,202	3,809	3,372	3,120	2,890
Cotton	7,200	7,889	9,189	8,717	9,702	9,938	9,341	10,605	10,941	12,834	16,791
Sugar cane	2,601	2,791	2,375	2,820	3,480	4,370	4,286	6,203	11,536	12,588	10,982
Basic grains	5,883	7,190	9,395	9,065	13,338	22,863	26,571	24,223	27,035	28,503	34,335
Rice	544	786	2,029	2,274	2,780	6,331	7,206	6,976	7,449	8,932	10,718
Corn	4,473	5,329	6,229	5,555	8,094	13,473	16,553	14,811	16,950	17,045	20,164
Beans	866	1,075	1,138	1,436	2,463	3,059	2,812	2,437	2,636	2,526	3,454
Other	2,829	3,289	4,333	5,354	6,034	14,455	15,262	11,825	12,539	15,870	19,415
Livestock	23,872	26,004	32,305	38,962	42,014	44,656	40,118	38,124	34,161	30,631	27,307
Other	844	1,131	1,557	1,820	1,900	2,317	2,115	2,052	1,563	1,445	1,501
Poultry	756	1,006	1,396	1,500	1,418	1,740	1,483	1,394	937	883	800
Forestry	10	18	36	44	48	47	46	56	59	69	69
Honey	20	39	65	219	384	465	489	504	478	432	456
Fishing	58	68	60	57	50	65	98	98	89	61	177
INDUSTRY	9,281	10,012	10,951	12,092	12,978	13,290	12,501	10,374	10,883	10,744	10,924
SERVICES	156	276	355	516	663	831	645	534	550	2,595	5,038
REAL ESTATE	4,816	490	543	388	628	814	746	670	769	750	857
COMMERCE	1,260	1,375	1,823	4,469	4,463	2,921	2,128	3,409	2,855	2,594	4,528
CONSUMPTION	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
OTHER	825	1,055	987	1,037	1,168	1,094	891	767	708	558	590
TOTAL	69,243	72,172	84,148	97,589	114,301	133,882	136,547	131,882	141,647	161,148	168,482

SOURCE: BANADESA. Departamento de Estudios Económicos. Unpublished records.

TABLE 52. HONDURAS: LOANS OUTSTANDING AT THE END OF THE YEAR. PROPORTION REPRESENTED BY PANAFON AND BANADESA WITH RESPECT TO THE BANKING SYSTEM. (PERCENTAGES). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	49.8	50.5	53.8	52.8	53.6	54.0	48.9	40.4	40.0	41.0	39.7
Crops	26.6	53.7	59.7	59.2	60.7	59.5	55.6	42.9	44.9	47.0	45.0
Bananas	3.5	5.1	24.9	35.2	18.8	10.5	12.1	14.6	16.8	18.8	22.5
Coffee	36.1	34.9	43.9	54.0	58.5	39.2	42.6	31.2	39.6	44.0	41.3
Tobacco	73.0	78.6	69.1	70.8	65.6	57.0	52.0	46.1	22.8	20.7	17.0
Cotton	84.6	91.9	88.1	86.3	74.6	96.0	88.1	63.3	57.8	60.6	69.2
Sugar cane	50.5	45.4	41.6	37.7	46.8	38.0	21.3	19.1	30.2	32.6	25.9
Basic grains	64.1	67.1	81.6	66.4	72.0	72.7	80.6	77.7	71.1	68.6	66.0
Rice	30.2	30.4	62.2	50.3	50.6	55.1	66.8	58.8	46.1	49.0	41.2
Corn	72.2	78.5	90.5	74.3	78.7	80.8	86.1	88.8	88.7	82.3	90.6
Beans	73.8	80.5	82.5	74.2	89.2	93.1	94.8	92.6	95.3	96.0	93.5
Other	33.2	36.8	48.5	44.1	45.4	63.9	63.4	46.5	46.1	49.2	43.3
Livestock	56.6	54.6	57.4	56.8	55.0	56.1	52.2	51.5	45.7	38.9	34.5
Other	8.0	11.5	11.7	11.1	11.4	12.6	7.4	5.7	3.9	4.2	5.3
Poultry											
Forestry											
Honey											
Fishing											
INDUSTRY	11.9	11.5	13.0	11.8	10.8	9.6	7.4	5.1	4.6	4.4	4.2
SERVICES	0.7	1.1	1.6	1.8	1.3	1.3	0.9	0.5	0.5	1.5	2.8
REAL ESTATE	8.8	0.8	0.7	0.4	0.6	0.7	0.5	0.4	0.4	0.3	0.3
COMMERCE	2.4	3.0	2.8	4.8	5.4	2.8	1.5	1.9	1.3	1.3	2.1
CONSUMPTION	----	----	----	----	----	----	----	----	----	----	----
OTHER	36.3	56.7	56.2	58.5	34.3	28.6	17.3	16.6	13.7	7.9	6.0
TOTAL	20.6	28.3	21.1	19.9	20.4	20.0	17.0	13.4	12.7	12.8	12.5

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 53. HONDURAS: BANAFON AND BANADESA. LOANS OUTSTANDING AT THE END OF THE YEAR.
DISTRIBUTION BY ACTIVITY FINANCED. (PERCENTAGES). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	76.4	81.7	82.6	81.0	82.6	84.4	87.6	88.1	88.9	89.3	87.0
Crops	40.7	44.1	42.3	39.3	44.2	49.3	56.7	57.6	63.6	69.3	69.9
Bananas	0.6	0.1	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Coffee	8.2	9.2	8.3	8.0	11.2	7.0	12.8	14.4	17.2	24.0	19.6
Tobacco	5.7	5.5	4.8	4.4	4.2	3.5	3.1	2.9	2.4	1.9	1.7
Cotton	10.4	10.9	10.9	8.9	8.5	7.4	6.8	8.0	7.7	8.0	10.0
Sugar cane	3.8	3.9	2.8	2.9	3.0	3.3	3.1	4.7	8.1	7.8	6.5
Basic grains	8.5	10.0	11.2	9.3	11.7	17.1	19.5	18.4	19.1	17.7	20.4
Rice	0.8	1.1	2.4	2.3	2.4	4.7	5.3	5.3	5.3	5.5	6.4
Corn	6.5	7.4	7.4	5.5	7.1	10.1	12.1	11.2	12.0	10.6	12.0
Beans	1.3	1.5	1.4	1.5	2.2	2.3	2.1	1.8	1.9	1.6	2.1
Other	4.1	4.6	5.1	5.5	5.3	10.8	11.2	9.0	8.9	9.8	11.5
Livestock	34.5	36.0	38.4	39.9	36.8	33.4	29.4	28.9	24.1	19.0	16.2
Other	1.2	1.6	1.9	1.9	1.7	1.7	1.5	1.6	1.1	0.9	0.9
Poultry	1.1	1.4	1.7	1.5	1.2	1.3	1.1	1.1	0.7	0.5	0.5
Forestry	---	---	---	---	---	---	---	---	---	---	---
Honey	---	---	0.1	0.2	0.3	0.3	0.4	0.4	0.3	0.3	0.3
Fishing	0.1	0.1	0.1	0.1	---	---	0.1	0.1	0.1	---	0.1
INDUSTRY	13.4	13.9	13.0	12.4	11.4	9.9	9.2	7.9	7.7	6.7	6.5
SERVICES	0.2	0.4	0.4	0.5	0.6	0.6	0.5	0.4	0.4	1.6	3.0
REAL ESTATE	7.0	0.7	0.6	0.4	0.5	0.6	0.5	0.5	0.5	0.5	0.5
COMMERCE	1.8	1.9	2.2	4.6	3.9	2.2	1.6	2.6	2.0	1.6	2.7
CONSUMPTION	---	---	---	---	---	---	---	---	---	---	---
OTHER	1.2	1.5	1.2	1.1	1.0	0.8	0.7	0.6	0.5	0.3	0.4
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Computed from data in Banco Central de Honduras. Boletín Estadístico Mensual. Several years.

TABLE 54. BANAFON AND BANADESA. LOANS OUTSTANDING AT THE END OF THE YEAR
BY ACTIVITY FINANCED, IN REAL TERMS. ('000 CONSTANT LEMPIRAS
OF 1966). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE		52,978	59,249	62,868	67,382	74,790	75,055	67,713	69,622	66,902	62,017
Crops		28,598	30,373	30,449	36,038	43,682	48,560	44,287	49,864	51,990	49,826
Bananas		36	268	250	224	208	197	183	174	146	133
Coffee		5,989	5,986	6,184	9,122	6,175	10,934	11,063	13,505	17,946	13,970
Tobacco		3,563	3,409	3,382	3,455	3,109	2,636	2,221	1,865	1,450	1,223
Cotton		7,088	7,834	6,929	6,925	6,582	5,860	6,183	6,052	5,967	7,106
Sugar cane		2,508	2,025	2,242	2,484	2,894	2,689	3,617	6,381	5,852	4,647
Basic grains		6,460	8,010	7,206	9,520	15,141	16,669	14,124	14,953	13,251	14,530
Rice		706	1,730	1,807	1,985	4,192	4,521	4,068	4,120	4,152	4,536
Corn		4,788	5,310	4,257	5,777	8,923	10,385	8,636	9,375	7,924	8,533
Beans		966	970	1,142	1,758	2,026	1,765	1,471	1,458	1,174	1,462
Other		2,955	3,694	4,256	4,307	9,573	9,575	6,895	6,935	7,378	8,216
Livestock		23,364	27,540	30,972	29,988	29,574	25,168	22,230	18,894	14,240	11,556
Other		1,016	1,328	1,447	1,356	1,535	1,327	1,196	864	672	635
Poultry											
Forestry											
Honey											
Fishing											
INDUSTRY		8,995	9,336	9,612	9,263	8,802	7,842	6,049	6,022	4,995	4,623
SERVICES		248	303	410	473	551	405	312	304	1,206	2,132
REAL ESTATE		440	463	308	448	539	468	391	426	349	363
COMMERCE		1,235	1,554	3,552	3,185	1,934	1,335	1,988	1,430	1,206	1,916
CONSUMPTION											
OTHER		948	841	825	834	724	559	447	391	259	250
TOTAL		64,844	71,738	77,575	81,585	88,664	85,663	76,899	78,345	74,918	71,300

SOURCE: Computed from data in Banco Central de Honduras, Boletín Estadístico Mensual. Several years. Values deflated by the general consumer price index as of December of each year.

TABLE 55. HONDURAS: BANAFON AND BANADESA. LOANS OUTSTANDING AT THE END OF THE YEAR.
ANNUAL RATES OF GROWTH IN REAL TERMS. (PERCENTAGES). 1971-1980.

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE		11.8	6.1	7.2	11.0	0.4	- 9.8	2.8	- 3.9	- 7.3
Crops		6.2	0.3	18.4	21.2	11.2	- 8.8	12.6	4.3	- 4.2
Bananas		652.8	- 6.8	-10.2	- 7.2	- 5.3	- 7.0	- 5.1	-15.9	- 9.0
Coffee		- 0.1	3.3	47.5	-32.3	77.1	1.2	22.1	32.9	-22.2
Tobacco		- 4.3	- 0.8	2.2	-10.0	-15.2	-15.8	-16.0	-22.2	-15.7
Cotton		10.5	-11.5	- 0.1	- 5.0	-11.0	5.5	- 2.1	- 1.4	19.1
Sugar cane		-19.3	10.7	10.8	16.5	- 7.1	34.5	76.4	- 8.3	-20.6
Basic grains		24.0	-10.0	32.1	59.0	10.1	-15.3	5.9	-11.4	9.7
Rice		144.9	4.5	9.8	111.3	7.8	-10.0	1.3	0.8	9.2
Corn		10.9	-19.8	35.7	54.4	16.4	-16.8	8.6	-15.5	7.7
Beans		0.4	17.7	54.0	15.2	-12.9	-12.2	- 0.9	-19.4	24.5
Other		25.0	15.2	1.2	122.3	----	-28.0	0.6	6.4	11.4
Livestock		17.9	12.5	- 3.2	- 1.4	-14.9	-11.7	-15.0	-24.6	-18.8
Other		30.7	9.0	- 6.3	13.2	-13.5	- 9.9	-27.7	-22.3	- 5.4
Poultry										
Forestry										
Honey										
Fishing										
INDUSTRY		3.8	3.0	- 3.6	- 5.0	-10.9	-22.9	-44.3	-17.1	- 7.4
SERVICES		22.1	35.3	15.5	16.3	-26.5	-23.0	- 2.3	296.3	76.7
REAL ESTATE		5.1	-33.3	45.2	20.3	-13.1	-16.5	8.9	-18.0	4.0
COMMERCE		25.8	128.6	-10.3	-39.3	-31.0	48.9	-28.1	-15.6	58.9
CONSUMPTION		----	----	----	----	----	----	----	----	----
OTHER		-11.3	- 2.0	1.1	-13.1	-22.8	-19.9	-12.5	-33.7	- 3.8
TOTAL		10.6	8.1	5.2	8.7	- 3.4	-10.2	1.9	- 4.4	- 4.8

SOURCE: Computed from Table 54.

TABLE 56. HONDURAS: BANAFON AND BANADESA. NEW LOANS GRANTED DURING THE YEAR, BY ACTIVITY FINANCED. (AMOUNTS IN '000 LEMPIRAS). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	24,373	27,395	36,599	52,820	67,031	87,606	64,283	83,592	111,958	112,930	92,762
Crops	13,580	15,828	21,272	32,562	50,617	72,914	54,239	71,567	102,906	103,391	90,851
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Coffee	5,017	5,305	6,116	7,805	9,239	8,159	26,438	34,722	42,738	52,699	29,922
Tobacco	1,035	835	924	1,256	1,599	881	580	143	55	101	119
Cotton	2,479	2,728	5,354	11,297	15,448	8,369	6,734	16,453	16,119	11,587	13,163
Sugar cane	813	567	1,213	1,338	1,471	3,239	873	5,387	5,564	5,850	4,123
Basic grains	2,761	4,935	5,458	7,238	18,136	36,006	16,931	11,798	16,573	15,779	23,872
Rice	255	815	1,646	1,137	3,051	11,790	3,669	2,700	2,558	3,666	5,073
Corn	2,188	3,548	3,389	5,058	12,551	21,338	12,193	8,010	12,317	10,730	16,415
Beans	319	573	423	1,043	2,534	2,878	1,068	1,088	1,338	1,383	2,384
Other	1,474	1,457	2,208	3,628	4,725	16,261	2,684	3,258	21,607	17,916	19,653
Livestock	10,374	10,868	14,901	19,586	15,870	13,580	9,666	11,464	8,655	9,173	4,893
Other	419	699	426	672	544	1,112	378	562	400	367	560
INDUSTRY	4,366	5,051	4,476	5,461	6,797	4,539	1,650	922	3,207	7,653	8,140
SERVICES	59	108	118	221	295	150	21	102	102	2,841	10,446
REAL ESTATE	177	22	86	165	41	121	13	19	64	114	160
COMMERCE	5,368	3,285	1,273	3,336	2,166	2,037	4,219	3,166	2,367	3,069	7,219
CONSUMPTION	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
OTHER	5,001	4,745	8,053	8,233	4,013	5,188	252	3,329	3,919	9,566	3,189
TOTAL	39,343	40,606	50,605	70,236	80,342	99,641	70,438	91,130	121,616	136,174	121,916

SOURCE: BANADESA. Departamento de Estudios Económicos. Unpublished records.

TABLE 57. HONDURAS: BANAFON AND BANADESA. NEW LOANS GRANTED DURING THE YEAR.
DISTRIBUTION OF THE AMOUNTS, BY ACTIVITY FINANCED. (PERCENTAGES).
1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	61.9	67.5	72.3	75.2	83.4	87.9	91.3	91.7	92.1	82.9	76.1
Crops	34.5	39.0	42.0	46.4	63.0	73.2	77.0	78.5	84.6	75.9	74.5
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Coffee	12.8	13.1	12.1	11.1	11.5	8.2	37.5	38.1	35.1	38.7	24.5
Tobacco	2.6	2.1	1.8	1.8	2.0	0.9	0.8	0.2	-----	0.1	0.1
Cotton	6.3	6.7	10.6	16.1	19.2	8.4	9.6	18.1	13.3	8.5	10.8
Sugar cane	2.1	1.4	2.4	1.9	1.8	3.3	1.2	5.9	4.6	4.3	3.4
Basic grains	7.0	12.2	10.8	10.3	22.6	36.1	24.0	12.9	13.6	11.6	19.6
Rice	0.6	2.0	3.3	1.6	3.8	11.8	5.2	3.0	2.1	2.7	4.2
Corn	5.6	8.7	6.7	7.2	15.6	21.4	17.3	8.8	10.1	7.9	13.5
Beans	0.8	1.4	0.8	1.5	3.2	2.9	1.5	1.2	1.4	1.0	2.0
Other	3.7	3.6	4.4	5.2	5.9	16.3	3.8	3.6	18.0	13.2	16.1
Livestock	26.4	26.8	29.4	27.9	19.8	13.6	13.7	12.6	7.1	6.7	4.0
Other	1.1	1.7	0.8	1.0	0.7	11.1	0.5	0.6	0.3	0.3	0.5
INDUSTRY	11.1	12.4	8.8	7.8	8.5	4.6	2.3	1.0	2.6	5.6	6.7
SERVICES	0.1	0.3	0.2	0.3	0.4	0.2	-----	0.1	0.1	2.1	8.6
REAL ESTATE	0.4	0.1	0.2	0.2	0.1	0.1	-----	-----	0.1	0.1	0.1
COMMERCE	13.6	8.1	2.5	4.8	2.7	2.0	6.0	3.5	1.9	2.3	5.9
CONSUMPTION	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
OTHER	12.7	11.7	15.9	11.7	5.0	5.2	0.4	3.7	3.2	7.0	2.6
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Computed from Table 56.

TABLE 58. HONDURAS: BANAFON AND BANADESA. NUMBER OF NEW LOANS GRANTED DURING THE YEAR, BY ACTIVITY FINANCED, 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	26,346	32,668	36,238	43,468	61,833	88,682	47,967	39,990	42,541	45,044	48,343
Crops	18,654	24,683	25,960	31,363	52,885	80,439	41,879	33,828	38,417	41,773	47,158
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Coffee	5,456	4,913	4,649	5,477	5,772	5,685	7,899	7,129	9,881	12,704	10,510
Tobacco	202	121	116	103	131	79	43	15	6	3	2
Cotton	158	202	481	831	1,196	614	864	1,457	1,115	1,297	935
Sugar cane	683	575	774	1,030	898	1,598	577	737	774	698	1,120
Basic grains	11,273	18,090	17,995	19,951	42,547	65,435	29,910	21,832	23,633	22,658	30,168
Rice	955	1,508	3,184	2,816	2,690	9,163	5,208	2,467	2,109	3,250	4,868
Corn	7,302	11,716	11,012	11,332	26,224	38,108	18,898	14,561	15,073	14,462	18,382
Beans	3,016	4,866	3,799	5,803	13,633	18,164	5,804	4,804	6,451	4,946	6,918
Other	882	782	1,945	3,971	2,341	7,028	2,586	2,660	3,008	2,916	4,423
Livestock	7,569	7,837	10,134	11,830	8,734	8,014	5,978	6,009	4,029	3,205	1,113
Other	123	148	144	275	214	229	110	153	95	66	72
INDUSTRY	346	274	285	423	491	472	181	160	114	127	91
SERVICES	45	16	12	26	18	17	7	13	7	24	32
REAL ESTATE	24	14	12	23	5	10	1	4	6	13	3
COMMERCE	276	82	190	294	394	465	462	290	308	270	238
CONSUMPTION	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
OTHER	349	206	471	473	253	988	5	185	148	230	138
TOTAL	27,386	33,260	37,208	44,707	62,994	90,634	48,623	40,642	43,124	45,708	48,845

SOURCE: BANADESA. Departamento de Estudios Económicos. Unpublished records.

TABLE 59. HONDURAS: BANAFON AND BANADESA. NEW LOANS GRANTED DURING THE YEAR. DISTRIBUTION OF THE NUMBER OF LOANS BY ACTIVITY FINANCED. (PERCENTAGES). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	96.2	98.2	97.4	97.2	98.2	97.8	98.7	98.4	98.6	98.5	99.0
Crops	68.1	74.2	69.8	70.2	84.0	88.8	86.1	83.2	89.1	91.4	96.5
Bananas	----	----	----	----	----	----	----	----	----	----	----
Coffee	19.9	14.8	12.5	12.3	9.2	6.3	16.2	17.5	22.9	27.8	21.5
Tobacco	0.7	0.4	0.3	0.2	0.2	0.1	0.1	----	----	----	----
Cotton	0.6	0.6	1.3	1.9	1.9	0.7	1.8	3.6	2.6	2.8	1.9
Sugar cane	2.5	1.7	2.1	2.3	1.4	1.8	1.2	1.8	1.8	1.5	2.3
Basic grains	41.2	54.4	48.4	44.6	67.5	72.2	61.5	53.7	54.8	49.6	61.8
Rice	3.5	4.5	8.6	6.3	4.3	10.1	10.7	6.1	4.9	7.1	10.0
Corn	26.7	35.2	29.6	25.3	41.6	42.0	38.9	35.8	35.0	31.6	37.6
Beans	11.0	14.6	10.2	13.0	21.6	20.0	11.9	11.8	15.0	10.8	14.2
Other	3.2	2.4	5.2	8.9	3.7	7.8	5.3	6.5	7.0	6.4	9.1
Livestock	27.6	23.6	27.3	26.5	13.9	8.8	12.3	14.8	9.3	7.0	2.3
Other	0.4	0.4	0.4	0.6	0.3	0.3	0.2	0.4	0.2	0.1	0.1
INDUSTRY	1.3	0.8	0.8	0.9	0.8	0.5	0.4	0.4	0.3	0.3	0.2
SERVICES	0.2	----	----	0.1	----	----	----	----	----	0.1	0.1
REAL ESTATE	0.1	----	----	0.1	----	----	----	----	----	----	----
COMMERCE	1.0	0.2	0.5	0.7	0.6	0.5	1.0	0.7	0.7	0.6	0.5
CONSUMPTION	----	----	----	----	----	----	----	----	----	----	----
OTHER	1.3	0.6	1.3	1.1	0.4	1.1	----	0.5	0.3	0.5	0.3
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Computed from Table 58.

TABLE 60. HONDURAS: BANAFON AND BANADESA. NEW LOANS GRANTED DURING THE YEAR.
AVERAGE SIZE OF LOAN. (LEMPIRAS). 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
AGRICULTURE	925	839	1,009	1,215	1,084	987	1,340	2,090	2,631	2,507	1,918
Crops	728	641	819	1,038	957	906	1,295	2,116	2,679	2,475	1,927
Bananas	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Coffee	920	1,080	1,315	1,425	1,601	1,435	3,347	4,871	4,325	4,148	2,847
Tobacco	5,125	6,902	7,952	12,192	12,136	11,157	13,483	9,540	9,233	33,666	59,650
Cotton	15,687	13,507	11,132	13,594	12,916	13,630	7,793	11,292	14,457	8,934	14,078
Sugar cane	1,191	986	1,567	1,299	1,638	2,027	1,513	7,309	7,189	8,381	3,631
Basic grains	245	273	303	363	426	550	566	540	701	696	791
Rice	267	540	517	404	1,134	1,287	705	1,095	1,213	1,128	1,042
Corn	300	303	308	446	479	560	645	5,495	817	742	893
Beans	106	118	111	180	186	158	184	226	263	280	345
Other	1,672	1,864	1,135	914	2,018	2,314	1,038	1,225	7,266	6,144	4,443
Livestock	1,370	1,387	1,470	1,656	1,817	1,695	1,617	1,908	2,148	2,862	4,396
Other	3,406	4,724	2,957	2,443	2,540	4,854	3,435	3,671	4,208	5,553	7,775
INDUSTRY	12,619	18,432	15,704	12,909	13,842	9,615	9,116	5,760	28,127	60,256	89,450
SERVICES	1,309	6,731	9,842	8,508	16,394	8,847	3,014	7,877	14,543	118,370	326,431
REAL ESTATE	7,358	1,600	7,142	7,161	8,220	12,120	13,000	4,625	10,583	8,777	53,333
COMMERCE	19,448	40,057	6,701	11,348	5,496	4,381	9,132	10,918	7,686	11,368	30,330
CONSUMPTION	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
OTHER	14,328	23,034	17,098	17,407	15,863	5,251	50,480	17,992	26,480	41,595	23,106
TOTAL	1,437	1,221	1,360	1,571	1,275	1,099	1,449	2,242	2,820	2,979	2,496

SOURCE: Computed from Tables 56 and 58.

Table 61. Honduras: Banafom and Banadesa. New Loans Granted During the
Year (Amounts Actually Disbursed in '000 Lempiras) 1965-1980.

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Agriculture	26699.3	27662.5	26383.6	26556.2	27438.1	29371.0	29606.4	41501.9	44373.9	47727.0	57031.0	47827.9	80807.5	88433.9	102077.2	76528.0
Crops	21956.5	21547.1	18258.5	17092.1	17098.6	16930.6	17260.0	23544.0	24923.4	32620.8	43669.3	38214.0	69526.8	79926.3	93728.3	70905.1
Bananas	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Coffee	3633.7	3235.6	2995.4	3526.9	3389.7	5143.3	6062.0	6205.3	7100.6	9652.8	6944.4	17627.9	50262.1	45616.8	53550.4	28960.9
Tobacco	1340.0	2759.2	2781.3	1347.0	1364.6	1136.4	953.3	2891.3	1406.7	1539.8	1178.3	545.0	96.6	140.7	86.3	138.7
Cotton	14180.6	12061.6	7855.5	8613.2	6694.3	4297.2	3020.0	5201.7	7686.3	9828.3	7772.5	3339.7	6792.9	1514.1	16064.9	12395.3
Sugar Cane	296.3	583.9	794.6	367.0	1279.2	990.6	1439.3	1089.8	1057.5	1308.9	1823.1	945.0	3061.8	6456.5	5423.8	3325.8
Basic Grains	1948.5	2648.7	3351.4	3072.1	3017.5	3285.6	4000.5	5458.4	4697.6	2316.2	16237.4	12141.1	8034.9	12129.6	12094.1	15957.4
Rice	134.1	165.6	514.3	054.7	232.2	231.7	619.6	1721.3	960.7	1139.0	5013.9	2326.2	2182.9	2253.4	4195.8	3771.0
Corn	1432.9	1962.1	2293.6	2380.1	2407.1	2539.2	2842.5	3323.6	3167.5	5291.6	9526.8	3931.1	5213.3	8922.7	7160.4	10765.3
Beans	381.5	521.0	543.5	437.3	378.2	514.7	538.4	413.5	569.4	1544.2	1696.7	883.8	638.7	953.5	737.9	1421.1
Other	557.4	258.1	480.3	465.9	1344.3	2077.5	1784.9	2697.2	2974.7	2316.2	9713.6	3615.3	1388.5	4068.6	6508.8	10124.0
Livestock	4398.2	5801.0	7949.2	8804.3	10121.9	11897.6	11841.5	14060.2	18748.0	14547.4	12444.7	9232.3	10857.2	8097.8	8004.8	5060.3
Other	345.1	314.5	145.9	359.8	217.6	542.8	504.9	897.7	702.5	558.8	917.0	381.6	423.5	409.8	341.1	562.6
Industry	3421.1	2850.4	3305.4	2563.7	2635.3	6396.8	5745.1	4364.8	5464.6	4770.6	4720.9	2437.5	2432.2	3337.2	5172.5	8733.5
Services	18.7	1.2	---	4.1	64.6	111.6	108.2	105.1	365.7	316.5	144.0	38.9	74.4	117.0	2546.5	10530.9
Real Estate	8.4	202.0	429.1	2513.8	1373.1	426.0	30.8	86.5	32.5	258.6	290.5	13.0	15.0	150.5	111.5	160.0
Commerce	214.4	768.7	1171.0	1203.6	1720.4	3586.4	2352.8	1923.2	4878.2	6064.7	2039.5	1252.6	3207.7	2359.7	3101.4	3843.6
Consumption	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Other	727.2	1864.0	3272.5	2668.3	476.2	1137.2	797.1	1221.8	3843.7	2875.0	2930.7	2341.1	1404.6	1778.3	5030.8	602.4
Total	31092.8	33348.9	34561.6	35509.7	33708.7	41029.0	38646.4	49203.3	58958.6	62012.4	67156.6	53911.0	87941.4	96176.6	118039.9	100418.4

Source: Banadesa. Departamento De Estudios Economicos. Unpublished Records.

Table 62. Honduras: Banafom and Banadesa. New Loans Granted During the Year. (Amounts Actually Disbursed), By Activity Financed (Percentages). 1965-1980

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Agriculture	85.9	82.9	76.3	74.8	81.4	71.6	76.6	84.3	75.3	77.0	84.9	88.7	91.9	91.9	86.5	76.2
Crops	70.6	64.6	52.8	49.0	50.7	41.3	44.7	47.9	42.3	52.6	65.0	70.9	79.1	83.1	79.4	70.6
Bananas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Coffee	11.7	9.7	8.7	9.9	10.1	12.5	15.7	12.6	12.0	15.6	10.3	32.7	57.2	47.4	45.4	28.8
Tobacco	4.3	8.3	8.0	3.8	4.0	2.8	2.5	5.9	2.4	2.5	1.8	1.0	0.1	0.1	0.1	0.1
Cotton	45.6	36.2	22.7	24.3	19.9	10.5	7.8	10.6	13.0	15.8	11.6	6.2	7.7	12.0	13.6	12.3
Sugar Cane	1.0	1.8	2.3	1.0	3.8	2.4	3.7	2.2	1.8	2.1	2.7	1.8	3.5	6.7	4.6	3.3
Basic Grains	6.3	7.9	9.7	8.7	9.0	8.0	10.4	11.1	8.0	3.7	24.2	22.5	9.1	12.6	10.2	15.9
Rice	0.4	0.5	1.5	0.7	0.7	0.6	1.6	3.5	1.6	1.8	7.5	4.3	2.5	2.3	3.6	3.8
Corn	4.6	5.9	6.6	6.7	7.1	6.2	7.4	6.8	5.4	8.5	14.2	16.6	5.9	9.3	6.1	10.7
Beans	1.2	1.6	1.6	1.2	1.1	1.3	1.4	0.8	1.0	2.5	2.5	1.6	0.7	1.0	0.6	1.4
Other	1.8	0.8	1.4	1.3	4.0	5.1	4.6	5.5	5.0	3.7	14.5	6.7	1.6	4.2	5.5	10.1
Livestock	14.1	17.4	23.0	24.8	30.0	29.0	30.6	34.7	31.8	23.5	18.5	17.1	12.3	8.4	6.8	5.0
Other	1.1	0.9	0.5	1.0	0.6	1.3	1.3	1.8	1.2	0.9	1.4	0.7	0.5	0.4	0.3	0.6
Industry	11.0	8.5	9.6	7.2	7.8	15.6	14.9	8.9	9.3	7.7	7.0	4.5	2.8	3.5	4.4	8.7
Services	0.1	-	-	-	0.2	0.3	0.3	0.2	0.6	0.5	0.2	0.1	0.1	0.1	2.2	10.5
Real Estate	-	0.6	1.2	7.1	4.1	1.0	0.1	0.2	0.1	0.4	0.4	-	-	0.2	0.1	0.2
Commerce	0.7	2.3	3.4	3.4	5.1	8.7	6.1	3.9	8.3	9.8	3.0	2.3	3.6	2.5	2.6	3.8
Other	2.3	5.6	9.5	7.5	1.4	2.8	2.1	2.5	6.5	4.6	4.4	4.3	1.6	1.8	4.3	0.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Computed From Table 61.

Table 63. Honduras: Banafom and Banadesa. New Loans Granted During the Year. (Amounts Actually Disbursed). Proportions with Respect to the Banking System. (Percentages). 1965-1980

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Agriculture	59.8	56.0	51.2	44.2	32.8	25.4	24.4	28.7	29.0	33.4	36.5	19.0	21.5	26.5	27.1	27.5
Crops	60.6	56.6	51.2	48.4	33.8	26.5	27.9	38.6	34.8	44.0	41.6	20.7	22.6	31.2	33.0	33.8
Bananas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Coffee	42.6	33.1	28.0	28.2	13.9	15.2	18.1	21.6	20.7	31.4	20.1	13.8	23.3	26.6	36.3	34.8
Tobacco	77.0	92.0	73.2	69.6	64.8	46.4	87.1	59.8	36.9	38.5	23.9	11.7	1.5	1.1	0.3	0.9
Cotton	75.7	82.5	73.3	84.5	81.6	85.4	92.6	92.2	97.7	96.5	98.1	72.8	30.9	66.1	68.8	67.2
Sugar Cane	na	13.6	46.1	21.1	32.5	23.1	28.2	25.9	17.4	24.3	18.0	6.0	7.5	32.2	14.7	12.1
Basic Grains	na	70.8	72.3	93.8	54.6	43.7	52.4	64.8	57.6	18.5	68.8	72.2	54.8	53.9	50.4	50.1
Rice	na	17.5	35.3	29.8	24.7	11.9	24.9	63.7	34.3	29.2	52.9	44.5	31.0	20.1	29.2	20.5
Corn	na	90.6	89.2	116.9	59.8	55.1	66.8	71.8	71.9	77.1	78.1	84.5	76.3	87.4	82.6	91.0
Beans	na	82.8	89.8	113.9	67	53.8	61.0	37.6	59.7	87.4	88.0	86.1	81.8	88.4	75.7	87.6
Other	7.7	8.7	11.8	7.8	23.5	29.9	18.6	33.7	30.0	23.7	45.7	28.5	7.0	20.1	25.9	31.2
Livestock	57.2	56.7	56.0	48.0	40.8	29.7	25.0	24.8	29.7	28.2	35.7	26.8	32.2	20.9	13.0	9.8
Other	48.0	28.7	10.6	6.2	2.7	4.7	4.2	6.1	3.8	3.3	5.6	1.2	1.2	1.4	1.1	3.3
Industry	13.8	9.2	7.0	4.9	3.5	6.2	5.5	4.3	4.0	3.7	3.2	1.3	0.9	1.2	1.8	3.3
Services	0.1	-	-	-	0.2	0.4	0.3	0.4	1.2	0.5	0.2	-	-	-	1.3	4.7
Real Estate	0.1	1.2	1.6	7.9	3.3	0.7	0.1	0.1	-	0.4	0.3	-	-	-	0.1	0.1
Commerce	0.5	1.4	1.6	2.0	2.4	4.2	3.3	1.8	3.3	3.6	1.0	0.4	1.0	0.5	0.7	1.0
Other	-	-	-	-	19.6	52.4	42.5	62.8	-	-	-	49.1	32.3	31.7	66.9	5.3
Total	20.8	18.5	14.6	14.5	10.3	9.7	9.2	10.2	10.2	10.1	9.4	5.6	7.0	7.0	7.8	7.5

Source: Computed From Tables 7,8, and 61.

Table 64. Honduras: Banafoam and Banadesa. New Loans Granted During the
Year, (Amounts Actually Disbursed), in Real Terms. ('000
Constant Lempiras of 1966) 1968-1980.

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Agriculture	25534.8	26057.1	25133.7	26744.7	36182.9	36612.1	34990.5	38691.3	30916.5	48128.4	49821.9	52862.4	33630.0
Crops	16723.2	16237.9	15604.2	15591.7	20526.6	20563.9	23915.5	29626.4	24702.0	41409.6	45028.0	48538.7	30908.9
Bananas	---	---	---	---	---	---	---	---	---	---	---	---	---
Coffee	3391.3	3219.1	3124.1	5476.1	5410.0	5858.6	7076.8	4711.3	11394.9	29935.7	25699.6	27731.9	12624.6
Tobacco	1255.2	1295.9	1257.7	861.2	2570.7	1160.6	1128.9	799.4	352.3	57.5	79.3	44.7	60.5
Cotton	8281.9	6357.4	6169.9	2728.1	4535.0	6341.8	7205.5	5293.1	2158.6	4033.9	6486.8	8319.5	5403.4
Sugar Cane	352.9	1214.8	1178.9	1300.2	950.1	872.5	959.6	1236.8	610.9	1823.6	3637.5	2808.8	1449.8
Basic Grains	2953.9	2865.6	2781.1	3613.8	4758.8	3875.9	1698.1	11015.9	7846.2	4785.5	6833.6	6263.1	6956.1
Rice	244.9	220.5	214.0	559.7	1500.7	792.7	835.0	3401.6	1503.7	1300.1	1269.5	2172.9	1643.9
Corn	228.9	2285.9	2218.5	2567.8	2897.6	2613.4	3879.5	6463.2	5773.2	3105.0	5026.8	3708.1	4692.8
Beans	420.5	359.2	348.6	486.4	360.5	469.8	1132.1	1151.1	571.3	380.4	537.2	382.1	619.5
Other	447.9	1276.6	1238.9	1612.4	2351.5	2454.4	1698.1	6589.9	2336.9	826.9	2302.3	3370.7	4414.6
Livestock	8465.7	9612.4	9328.9	10696.9	14873.8	14568.6	10665.2	8442.8	5967.9	6466.5	4562.1	4146.9	2205.9
Other	345.9	206.6	200.6	456.1	782.7	579.6	409.7	622.1	246.7	252.2	230.9	176.6	245.2
Industry	2465.1	2502.7	2445.4	5189.8	3805.4	4508.7	3497.5	3202.8	1575.6	1448.6	1880.1	2678.7	3807.1
Services	3.9	61.3	59.5	97.7	91.6	301.7	232.0	97.7	25.1	44.3	65.9	1318.7	4599.3
Real Estate	2417.1	1303.1	1265.5	27.8	75.4	26.8	189.6	193.1	8.4	8.9	84.8	57.7	69.7
Commerce	1157.3	1633.8	1585.6	2130.8	1676.7	4024.9	4446.3	1383.6	809.7	1910.5	1329.4	1606.1	1675.5
Other	2565.8	452.2	438.9	720.1	1065.2	3171.4	2107.8	1988.3	1513.3	836.6	1001.9	2605.3	262.6
Total	34143.9	32012.1	31067.9	34910.9	42897.4	48645.7	45463.6	45560.8	34848.7	52377.2	54184.0	61128.9	43774.4

Source: Computed From Table 61. Values Deflated by the Annual Average of the General Consumer Price Index.

Table 65. Honduras: Banafom and Banadesa. New Loans Granted During
the Year, (Amounts Actually Disbursed). Annual Rates of
Growth in Real Terms. (Percentages). 1969-1980

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Agriculture	2.0	-3.5	6.4	35.3	1.2	-4.4	10.6	-20.1	55.7	3.5	6.1	-36.9
Crops	-2.9	-3.9	-0.1	31.7	0.2	16.3	23.9	-16.6	67.6	8.7	7.8	-36.3
Bananas	-	-	-	-	-	-	-	-	-	-	-	-
Coffee	-5.1	-2.9	75.3	-1.2	8.3	20.8	-33.4	141.9	162.7	-14.2	7.9	-54.5
Tobacco	0.1	-0.2	-31.5	198.5	-54.9	-2.7	-29.8	-55.9	-83.7	37.9	-43.6	-35.3
Cotton	-23.2	-2.9	-55.8	66.2	39.8	13.6	-26.8	-59.1	86.9	60.8	28.3	-35.1
Sugar Cane	244.2	-2.9	10.3	-26.9	-8.2	10.0	28.9	-50.6	198.5	99.5	-22.8	-48.4
Basic Grains	-2.9	-2.9	29.9	31.6	-18.6	-56.2	548.7	-28.8	-39.0	42.8	-8.3	11.1
Rice	-9.9	-2.9	161.5	168.1	-47.2	5.3	307.4	-55.8	-13.5	-2.4	71.2	-24.3
Corn	898.6	-2.9	15.7	12.8	-9.8	48.4	66.6	-10.7	-46.2	61.9	-26.2	26.6
Beans	-14.6	-2.9	39.5	-25.9	30.3	141.0	1.7	-50.4	-33.4	41.2	-28.9	62.1
Other	185.0	-2.9	30.1	45.8	4.4	-30.8	288.1	-64.5	-64.6	178.4	46.4	31.0
Livestock	13.5	-2.9	14.7	39.0	4.0	-31.1	-20.8	-29.3	8.4	-29.5	-9.1	-46.8
Other	-40.3	-2.9	127.4	71.6	-25.9	-29.3	51.8	-60.3	2.2	-8.4	-23.5	38.8
Industry	1.5	-2.3	112.2	-26.7	18.5	-22.4	-8.4	-50.8	-43.8	29.8	42.5	42.1
Services	1471.8	-2.9	64.2	-6.2	229.4	-23.1	-57.9	-74.3	76.5	48.8	1901.1	248.8
Real Estate	-46.1	-2.9	-97.8	171.2	-64.5	607.5	4.0	-95.7	6.0	852.8	-32.0	20.8
Commerce	41.2	-2.9	34.4	-21.3	140.0	10.5	-68.9	-41.5	136.0	-30.4	20.8	4.3
Other	-82.4	-2.9	64.1	47.9	197.7	-33.5	-5.7	-23.9	-44.7	19.8	160.0	-89.9
Total	-6.2	-2.9	12.4	22.9	13.4	-6.5	0.2	-23.5	50.3	3.4	12.8	-28.4

Source: Computed from Table 64.

Table 66 Honduras: Banafom and Banadesa. Portfolio of Loans
Outstanding at the End of the Year, According to the
Sources of Funds. ('000 Lempiras). 1970 - 1980

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
BANADESA	29872.0	26252.1	26318.8	36791.1	40357.3	39685.7	39523.2	58716.1	40140.6	63143.4	43493.3
Deposits	-	-	-	-	-	-	-	-	-	45288.9	38183.2
Other Funds	29872.0	26252.1	26318.8	36791.1	40357.3	39685.7	39523.2	58716.1	40140.6	17854.5	5310.1
CENTRAL BANK	-	-	-	345.9	7135.1	19884.8	8524.1	13373.9	42826.4	46153.9	50783.5
Rediscounts	-	-	-	-	-	-	7969.2	13218.9	42603.4	46148.2	50778.5
Advances and Other	-	-	-	345.9	7135.1	19884.8	554.9	155.0	223.0	5.7	5.0
INTERNATIONAL AGENCIES	9511.1	14353.4	22970.1	30261.3	31850.0	40041.0	22391.1	1898.0	38649.4	27416.5	31180.4
US-AID	3850.8	8079.0	7075.8	844.5	1868.2	9134.4	15059.9	9084.3	12156.2	6794.8	11109.0
IDB	5620.7	6274.4	15692.3	26679.3	21438.9	12962.9	4262.5	5158.9	16159.5	10584.8	7412.3
IBRD	-	-	-	-	-	819.6	819.0	2582.0	4494.4	4011.8	6395.4
CABEI	-	-	-	-	84.0	152.3	84.8	-	2.0	-	-
Other	39.6	-	202.0	2737.5	8458.9	16971.8	2164.9	2154.8	5837.3	6025.1	6263.7
TOTAL	39383.1	40605.5	49288.9	67398.3	80342.4	99611.5	70438.4	91070.0	121616.4	136713.8	125457.2

Source: BANADESA. Unpublished Records.

Table 67. Honduras: Banafom and Banadesa. Portfolio of Loans Outstanding
at the End of the Year, According to Sources of Funds (Percentages)

1970 - 1980

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
BANADESA	75.8	64.7	53.4	54.6	51.5	39.8	56.1	64.5	33.0	46.2	34.7
Deposits	-	-	-	-	-	-	-	-	-	33.1	30.5
Other Funds	75.8	64.7	53.4	54.6	51.5	39.8	56.1	64.5	33.0	13.1	4.2
CENTRAL BANK	-	-	-	0.5	8.9	20.0	12.1	14.7	35.2	33.8	40.5
Rediscounts	-	-	-	-	-	-	11.3	14.5	35.0	33.8	40.5
Advances and Other	-	-	-	0.5	8.9	20.0	0.8	0.2	0.2	-	-
INTERNATIONAL AGENCIES	24.2	35.2	46.6	44.9	39.6	40.2	31.8	20.8	31.8	20.0	24.8
US-AID	9.8	19.9	14.4	1.3	2.3	9.2	21.4	10.0	10.0	5.0	8.8
IDB	14.3	15.4	31.8	39.6	26.7	13.0	6.1	5.7	13.3	7.7	5.9
IBRD	-	-	-	-	-	0.8	1.1	2.8	3.7	2.9	5.1
CABEI	-	-	-	-	0.1	0.2	0.1	-	-	-	-
Other	0.1	-	0.4	4.0	10.5	17.0	3.1	2.3	4.8	4.4	5.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BANADESA. Unpublished Records.

Table 68. Honduras: Banafom and Banadesa. Number of Loans Outstanding,
According to the Source of the Funds. 1970 - 1980

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
BANADESA	15286	21469	11880	11087	12352	17746	14752	12968	4472	3517	2879
Deposits	-	-	-	-	-	-	-	-	-	1164	1946
Other Funds	15286	21469	11880	11087	12352	17746	14752	12968	4472	2353	933
CENTRAL BANK	-	-	-	1664	25806	39193	4390	9135	32803	36737	38703
Rediscounts	-	-	-	-	-	-	4359	9086	32592	36733	38702
Advances and Other	-	-	-	1664	25806	39193	31	49	211	4	1
INTERNATIONAL AGENCIES	12099	11791	25255	31755	24836	33695	29481	18588	5849	5454	7263
US-AID	6465	4493	11889	138	143	17189	22438	13090	2656	2301	1495
IDB	5551	7298	12786	28942	21309	5246	1868	2590	2068	1118	728
IBRD	-	-	-	-	-	97	126	160	168	555	3973
CABEI	-	-	-	-	16	60	25	-	1	-	-
Other	83	-	580	2675	3368	1103	5024	2699	956	1480	1069
TOTAL	27385	33260	37135	44506	62994	90634	48623	40642	43124	45708	48845

Source: BANADESA. Unpublished Records

Table 69. Honduras: Banafom and Banadesa. Number of Loans Outstanding,
According to the Source of the Funds. 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
BANADESA	55.8	64.5	32.0	24.9	19.6	19.6	30.4	31.9	10.4	7.7	5.9
Deposits	-	-	-	-	-	-	-	-	-	2.6	4.0
Other Funds	55.8	64.5	32.0	24.9	19.6	19.6	30.4	31.9	10.4	5.1	1.9
CENTRAL BANK	-	-	-	3.7	41.0	43.2	9.0	22.5	76.1	80.4	79.2
Rediscounts	-	-	-	-	-	-	8.9	22.4	75.6	80.4	79.2
Advances and Other	-	-	-	3.7	41.0	43.2	0.1	0.1	0.5	-	-
INTERNATIONAL AGENCIES	44.2	35.5	68.0	71.4	39.4	37.2	60.6	45.7	13.5	11.9	14.9
US-AID	23.6	13.5	32.0	0.3	0.2	19.0	46.1	32.2	6.1	5.0	3.1
IDB	20.3	22.0	34.4	65.1	33.8	5.8	3.8	6.4	4.8	2.5	1.5
IBRD	-	-	-	-	-	0.1	0.3	0.4	0.4	1.2	8.1
CABEI	-	-	-	-	-	0.1	0.1	-	-	-	-
Other	0.3	-	1.6	6.0	5.4	12.2	10.3	6.7	2.2	3.2	2.2
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BANADESA. Unpublished Records.

Table 70. Honduras: Ratios of Loans Outstanding at the End of the Year
to Gross Value Added in the Agricultural Sector. 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Agriculture	25.0	25.7	26.0	26.7	30.8	36.6	35.1	33.1	31.4	29.3	26.7
Crops	18.9	19.9	18.6	18.5	24.3	34.0	32.7	31.3	30.3	31.5	30.5
Bananas	0.9	0.7	0.9	0.6	0.2	3.3	1.8	1.2	1.0	0.7	0.4
Coffee	30.0	35.7	30.7	20.2	26.4	31.5	36.8	31.2	24.5	39.2	30.2
Tobacco	81.2	95.8	109.5	94.5	87.5	86.6	69.0	53.3	95.9	80.3	82.5
Cotton	568.8	873.2	902.1	380.6	292.0	212.6	284.9	163.4	137.6	205.2	195.0
Sugar Cane	51.3	52.4	53.6	56.8	49.6	71.9	114.3	140.2	134.7	116.1	104.2
Basic Grains	14.9	15.4	16.8	19.8	24.6	38.5	37.7	34.3	34.4	33.0	42.6
Rice	45.2	30.5	38.3	49.3	59.9	108.2	101.1	116.1	116.8	113.2	136.6
Corn	15.0	15.9	16.0	15.9	21.8	31.4	31.9	26.8	24.5	23.7	28.2
Beans	7.3	7.4	8.2	13.1	14.5	18.3	17.8	14.3	14.8	11.7	15.4
Other	24.6	23.0	21.2	30.9	26.0	46.3	42.6	43.2	42.3	31.1	75.3
Livestock	65.1	66.7	70.5	76.5	81.5	82.6	69.9	63.2	51.4	43.9	37.5
Other	13.8	11.6	13.8	13.5	12.2	12.4	17.6	19.6	20.4	13.0	8.9
Poultry	18.8	17.3	18.4	17.9	19.8	23.9	24.8	26.5	23.7	13.6	11.4
Forestry	4.6	3.9	4.4	4.5	2.9	1.5	1.7	1.8	1.7	1.2	1.0
Other	106.0	61.8	80.0	96.0	110.0	83.5	132.6	140.5	157.9	114.2	53.1

Source: Table 1 and Central Bank Data.

Table 71. Honduras: Ratios of New Loans Granted During the Year to
Gross Value Added in the Agricultural Sector. 1970-1980.

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Agriculture	27.3	26.7	29.1	27.3	24.9	27.4	36.9	43.4	33.3	27.8	20.1
Crops	22.5	20.8	19.0	20.5	21.6	32.2	43.3	54.4	40.0	37.4	24.4
Bananas	0.8	0.8	0.9	0.9	1.4	2.9	1.3	0.5	0.1	0.3	0.1
Coffee	65.6	62.6	55.1	48.3	37.1	45.7	115.1	110.8	68.0	65.9	31.4
Tobacco	36.6	20.8	88.1	59.8	47.3	51.9	40.0	42.9	86.1	139.0	76.9
Cotton	335.9	331.9	489.7	296.4	228.7	162.7	123.3	213.7	126.7	226.6	148.4
Sugar Cane	41.8	43.4	30.1	46.5	35.8	63.6	89.5	175.7	70.7	110.8	67.6
Basic Grains	12.3	13.8	12.3	11.8	18.6	28.9	19.2	16.1	20.4	19.0	26.1
Rice	48.8	29.3	31.7	30.5	42.5	89.2	49.0	68.8	80.9	89.1	96.7
Corn	11.2	9.9	10.7	9.7	14.6	23.0	17.5	11.0	13.1	9.9	15.9
Beans	6.0	4.8	6.5	6.4	9.2	10.7	6.2	4.2	5.8	4.3	6.7
Other	28.6	24.7	19.0	25.3	19.1	43.5	22.4	29.4	31.4	24.3	54.5
Livestock	62.1	66.2	86.2	70.4	55.0	36.2	31.4	28.9	26.6	34.2	24.5
Other	14.7	14.2	15.3	15.1	12.4	11.1	19.9	18.7	14.8	12.1	5.4
Poultry	18.7	17.1	18.1	16.2	16.7	24.3	24.8	32.6	26.3	12.5	11.8
Forestry	6.3	8.2	9.7	8.1	6.1	4.1	2.8	2.1	2.3	1.7	1.0
Other	109.3	52.3	54.4	85.1	80.5	47.0	148.2	120.3	94.5	100.5	23.3

Source: Table 7 and Central Bank Data.

Table 72. Honduras: Ratios of Loans Outstanding at the End of the Year
to the Gross Value of Output in the Agricultural Sector. 1970-1980

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Agriculture	18.9	18.9	19.4	20.0	22.6	26.1	24.4	24.0	22.3	22.4	20.1
Crops	15.0	15.1	14.4	14.3	18.1	24.1	22.3	22.7	21.4	22.5	20.2
Bananas	0.7	0.4	0.6	0.4	1.0	1.7	1.0	0.7	0.5	0.3	0.2
Coffee	27.9	33.0	28.6	16.5	21.8	26.0	30.3	29.2	21.2	32.8	25.7
Tobacco	66.6	78.6	86.5	77.5	71.7	71.0	56.6	45.4	76.6	70.2	67.7
Cotton	261.7	401.9	415.0	175.1	134.3	97.8	131.0	75.2	62.4	94.4	89.7
Sugar Cane	37.1	39.3	30.6	42.9	37.2	54.0	85.7	105.2	101.0	87.1	78.1
Basic Grains	13.5	15.8	15.2	17.8	21.4	33.4	32.4	29.7	29.3	28.1	36.2
Rice	40.7	27.4	34.5	44.3	53.9	97.4	86.0	104.4	99.3	96.2	116.1
Corn	13.5	14.3	14.4	14.4	18.6	26.7	27.1	22.7	20.8	20.1	24.0
Beans	6.6	6.6	7.4	11.8	13.1	16.4	16.0	12.9	12.5	10.0	13.1
Other	21.3	19.5	17.8	23.3	22.7	38.2	34.5	35.0	33.6	39.4	63.3
Livestock	39.2	40.3	39.7	47.2	49.7	50.7	43.0	39.4	31.8	32.3	31.4
Other	10.9	9.2	10.9	10.8	9.9	10.0	14.2	12.0	16.4	12.8	9.7
Poultry	11.3	10.4	11.0	10.8	11.9	14.5	15.1	15.9	14.2	8.6	7.2
Forestry	4.0	3.4	3.7	3.9	2.5	1.3	1.5	1.6	1.5	1.4	1.3
Other	83.6	47.8	62.0	74.2	85.5	64.2	101.9	107.5	121.2	81.6	52.1

Source: Table 1 and Central Bank Data.

Table 73. Honduras: Ratios of New Loans Granted During the Year to the
Gross Value of Output in the Agricultural Sector. 1970-1980

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Agriculture	20.6	19.6	21.7	20.4	18.3	19.5	25.0	31.4	23.6	24.0	15.2
Crops	17.9	15.8	14.7	15.8	16.2	22.8	29.5	39.5	28.2	26.8	16.2
Bananas	0.6	0.5	0.6	0.7	0.9	1.5	0.7	0.3	-	0.2	-
Coffee	60.1	57.8	51.3	39.3	30.6	37.6	95.0	103.9	58.8	55.2	26.7
Tobacco	30.0	17.1	72.3	49.1	38.8	42.6	32.7	35.2	70.6	121.5	63.1
Cotton	154.5	152.7	224.5	136.4	105.3	74.9	56.7	98.3	57.5	104.2	68.3
Sugar Cane	32.0	32.5	22.6	34.8	26.9	47.7	67.2	131.8	53.1	83.1	50.7
Basic Grains	11.0	9.8	11.1	10.6	14.5	25.0	16.5	13.9	17.3	16.2	22.2
Rice	43.9	26.4	28.6	27.5	38.2	80.3	41.6	61.9	68.8	75.8	82.2
Corn	8.9	8.9	9.7	8.8	12.4	19.5	14.9	9.3	11.2	8.4	12.7
Beans	5.4	4.4	5.9	5.8	8.4	9.6	5.5	3.8	4.9	3.7	5.7
Other	24.8	20.9	15.9	19.0	12.2	35.9	18.1	23.8	24.9	30.7	45.8
Livestock	37.3	40.0	52.3	43.5	33.6	22.2	19.2	17.8	16.5	25.1	20.5
Other	12.1	11.3	12.1	12.2	10.1	8.9	16.0	15.0	12.0	11.9	5.9
Poultry	11.2	10.2	10.8	9.7	10.1	14.8	15.2	19.5	15.8	7.8	7.5
Forestry	5.4	7.1	8.3	6.9	5.3	3.5	2.4	1.8	1.9	2.0	1.3
Other	86.2	43.6	42.1	65.9	62.6	36.2	113.9	92.0	72.6	71.9	22.9

Source: Table 7 and Central Bank Data.

Table 74. Honduras: Banafom and Banadesa, New Loans Granted, During the Year, by Term. (Amounts in Thousands of Lempiras). 1950-1980

Year	Total	Short-Term ¹		Medium and Long-Term	
		Amount	Percent of Total	Amount	Percent of Total
1950	396.8	201.6	50.8	195.2	49.2
51	1.844.2	845.3	45.8	1.001.9	54.2
52	2.045.6	1.261.4	61.7	784.2	38.3
53	1.923.4	1.241.7	64.6	681.7	35.4
54	3.664.1	2.562.8	69.9	1.101.3	30.1
55	5.958.4	4.135.6	69.4	1.822.8	30.6
56	7.392.8	4.718.4	63.8	2.674.4	36.2
57	10.584.9	7.447.2	70.4	3.137.7	29.6
58	13.361.9	11.510.9	86.1	1.851.0	13.9
59	9.534.2	7.458.9	78.2	2.075.3	21.8
1960	10.352.6	7.120.1	68.8	3.232.5	31.2
61	7.708.9	6.295.0	81.7	1.413.9	18.3
62	12.121.3	6.315.2	52.1	5.806.1	47.9
63	12.954.3	8.150.7	62.9	4.803.6	37.1
64	16.262.3	10.653.5	65.5	5.608.0	34.5
65	25.874.6	17.534.3	67.8	8.340.3	32.2
66	30.326.9	17.910.1	59.1	12.416.8	40.9
67	30.878.7	16.215.7	52.5	14.663.0	47.5
68	32.508.0	19.599.3	60.3	12.908.7	39.7
69	33.208.4	19.375.9	58.3	13.832.5	41.7
1970	39.383.1	22.915.2	58.2	16.467.9	41.8
71	40.605.5	23.229.3	57.2	17.376.2	42.8
72	50.604.7	23.792.5	47.0	26.812.2	53.0
73	70.236.7	39.776.6	56.6	30.460.1	43.4
74	80.342.4	56.092.9	69.8	24.249.5	30.2
75	99.611.5	56.676.5	56.9	42.935.0	43.1
76	70.438.4	50.852.7	72.2	19.585.7	27.8
77	91.070.0	67.652.1	74.3	23.417.9	25.7
78	121.616.4	84.391.8	69.4	37.224.6	30.6
79	136.713.8	103.766.2	75.9	32.947.6	24.1
1980	125.457.2	100.632.9	80.2	24.824.3	19.8

Source: BANADESA. Economic Studies

¹ One year or less.

ANNEX ON SAVINGS MOBILIZATION

Robert Vogel

Annex on Savings Mobilization
Robert Vogel

As shown in Tables 1 through 3, the liabilities of the Honduran financial system have grown slowly in recent years. Time and savings deposits in particular, which are key indicators of successful domestic resource mobilization, have increased by less than the consumer price index during the past two years. Tables 4 through 6 provide more detailed information on the commercial banks, which are the predominant component of the Honduran financial system. Time and savings deposits at commercial banks have stagnated in the past two years as commercial banks have significantly increased their reliance on liabilities to the Central Bank, while foreign liabilities have declined dramatically because of international interest rate differentials. As shown in Table 7 through 9, BANADESA has never mobilized a significant amount of time and savings deposits, or even demand deposits, and this situation has not changed in the past two years. However, BANADESA has come to rely more on liabilities to the Central Bank and less on foreign resources, while capital and reserves have continued a downward trend in spite of new injections of capital. Tables 10 through 12 reveal the one bright spot as the specialized savings institutions (mainly savings and loan associations) have substantially increased their time deposits and especially their savings deposits and have come to rely less on foreign resources.

Interest rates on time and savings deposits were free from control by the Central Bank in May 1981, but there has been no substantial upward movement in these interest rates or any great rush on the part of commercial banks to promote time and saving deposits. The reason for this is the relatively high reserve requirement on time and savings deposits together with the continuing control of interest rates which can be charged on loans, at most a stated rate of 19 percent. Reserve requirements are the same for time and savings deposits as for demand deposits: 10 percent in cash plus 20 percent in government bonds which pay only 4 percent interest. The only exception are for certificates of deposit over US\$25,000 (10 percent plus 10 percent) and savings and loan associations (15 percent plus 10 percent), while the reserve requirement on foreign currency deposits are higher than the regular requirements. Having reserve requirement as high on time and savings deposits as on demand deposits is rarely found in developed countries or in Latin America. These high reserve requirements are effectively a tax on depositors in an attempt to provide cheap resources for the Central Bank and the Government of Honduras. Until the reserve requirements on time and savings deposits are significantly reduced it is difficult to be optimistic about savings mobilization in Honduras.

Savings mobilization should be given a high priority in Honduras. Failure to mobilize domestic resources together with a growing govern-

ment deficit has greatly restricted credit to the private sector.

The situation can, of course, be helped by a reduction in the government deficit and by an increase in external resources. However, unless interest rates on deposits are raised, a large portion of currency increase in foreign resources will disappear as capital flight from Honduras. There is an alternative danger that credit will be increased by allowing the money supply to increase rapidly, with obvious consequences for the rate of inflation and the balance of payments of Honduras.

It should also be noted that devices are being developed by the private sector to avoid interest rate restrictions and reserve requirements. Contingent assets and liabilities of commercial banks increasingly represent a pass through of foreign loans, and "FIDEICOMISOS" with bank guarantees are often used for domestic resources to achieve the same type of evasion.

TABLE 1

CONSOLIDATED FINANCIAL SYSTEM - HONDURAS
LIABILITIES AT YEAR-END, 1969-1980
(thousands of Lempiras)

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Currency in circulation	71,670	75,092	78,377	88,092	109,976	106,339	113,126	169,073	188,823	209,611	263,766	268,917
Demand Deposits <u>a/</u>	79,430	86,114	93,050	107,651	132,004	138,348	152,690	190,360	221,752	265,203	281,630	335,705
Savings deposits <u>a/</u>	70,316	80,538	89,569	97,998	116,877	120,065	132,745	160,364	196,740	237,732	265,916	292,458
Savings deposit in foreign currency <u>b/</u>	3,562	4,940	5,598	6,864	8,740	9,608	10,954	14,753	20,068	24,699	31,965	35,666
Time deposits <u>a/</u>	31,600	44,439	55,441	63,529	76,272	80,935	94,740	124,239	172,571	223,881	232,757	234,562
Time deposits in foreign currency <u>b/</u>	1,824	2,165	5,458	7,655	6,365	5,107	8,908	16,645	19,018	23,202	12,884	15,321
Other deposits <u>a/</u> , <u>b/</u>	12,679	13,691	18,084	23,863	25,812	27,314	33,245	49,494	64,210	80,649	82,020	85,756
Contractual Savings <u>a/</u>	15,757	17,526	17,537	18,544	19,637	22,471	25,884	30,264	34,685	39,071	42,521	47,960
Bonds, etc. <u>a/</u>	4,929	7,125	7,683	14,894	25,117	22,114	29,912	32,130	54,331	78,123	102,074	68,530
Other Liabilities <u>a/</u>	4,909	5,667	7,325	6,013	7,131	8,306	13,154	17,743	20,570	27,917	27,578	33,951

In
a) hands of private sector. Time deposits and bonds before 1974 include small amounts in hands of public sector.

b) Foreign currency deposits are included within other deposits.

Source: Central Bank of Honduras, Monthly Statistical Bulletin

TABLE 2

CONSOLIDATED FINANCIAL SYSTEM - HONDURAS
LIABILITIES AT YEAR-END, 1969-1980
(per cent of total)

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Currency in circulation	24.6	22.7	21.4	20.9	21.4	20.2	18.9	21.8	19.8	18.0	20.3	19.6
Demand deposits ^{a/}	27.3	26.1	25.3	25.6	25.7	26.3	25.6	24.6	23.3	22.8	21.7	24.5
Savings deposits ^{a/}	24.1	24.4	24.4	23.3	22.8	22.8	22.3	20.7	20.6	20.5	20.5	21.4
-In foreign currency ^{b/}	1.2	1.5	1.5	1.6	1.7	1.8	1.8	1.9	2.1	2.1	2.5	2.6
Time deposits ^{a/}	10.8	13.5	15.1	15.1	14.8	15.4	15.9	16.1	18.1	19.3	17.9	17.2
-In foreign currency ^{b/}	.6	.6	1.5	1.8	1.2	.9	1.5	2.2	1.9	2.0	.9	1.1
Other deposits ^{a/} , ^{b/}	4.4	4.1	4.9	5.7	5.0	5.2	5.6	6.4	6.7	6.9	6.3	6.3
Contractual savings ^{a/}	5.4	5.3	4.7	4.4	3.8	4.3	4.3	3.9	3.6	3.4	3.3	3.5
Bonds, etc. ^{a/}	1.7	2.6	2.1	3.5	4.8	4.2	5.0	4.2	5.6	6.7	7.8	5.0
Other liabilities ^{a/}	1.6	1.7	1.9	1.4	1.4	1.6	2.2	2.3	2.2	2.4	2.1	2.5

^{a/} In hands of private sector. Time deposits and bonds before 1974 include small amounts in hands of public sector.

^{b/} Foreign currency deposits are included within other deposits.

Source: Central Bank of Honduras, Monthly Statistical Bulletin

TABLE 3

CONSOLIDATED FINANCIAL SYSTEM - HONDURAS
LIABILITIES AT YEAR-END, 1969-1980
(growth rates in per cent per year)

	69-70	70-71	71-72	72-73	73-74	74-75	75-76	76-77	77-78	78-79	79-80
Currency in circulation	4.7	4.4	12.4	24.8	- 3.3	6.4	49.4	11.7	11.0	25.8	1.9
Demand deposits ^{a/}	8.4	8.0	15.7	22.6	4.8	10.0	25.1	16.5	19.6	6.2	19.2
Savings deposits ^{a/}	14.5	11.2	9.4	19.3	2.7	10.6	20.8	22.7	20.8	11.9	10.0
Foreign currency ^{b/}	38.7	13.3	22.6	27.3	9.9	14.0	34.7	36.0	23.1	29.4	11.6
Time deposits ^{a/}	40.6	24.8	14.6	20.1	6.1	17.1	31.1	38.9	29.7	4.0	.7
Foreign currency ^{b/}	18.7	152.1	40.3	-16.8	-19.7	74.4	86.8	14.3	22.0	-44.7	18.9
Other deposits ^{a/, b/}	8.0	32.1	32.0	5.8	5.8	21.7	48.9	29.7	25.6	1.7	4.6
Contractual savings ^{a/}	11.2	.06	5.7	5.9	14.4	15.2	16.9	14.6	12.6	8.8	12.8
Bonds ^{a/}	44.6	7.8	93.8	68.6	-11.9	35.3	7.4	69.1	43.8	30.7	-32.8
Other liabilities ^{a/}	15.4	29.3	-17.9	18.6	16.5	58.4	34.9	15.9	35.7	- 1.1	23.1
TOTAL	13.4	11.2	14.6	21.9	2.5	13.2	29.9	23.3	21.9	11.7	5.4

^{a/} In hands of private sector. Time deposits and bonds before 1974 include small amounts in hands of public sector.

^{b/} Foreign currency deposits are included within other deposits.

Source: Central Bank of Honduras, Monthly Statistical Bulletin.

TABLE 4

COMMERCIAL BANKS - HONDURAS
LIABILITIES AT YEAR-END, 1969 - 1980
(Thousands of Lempiras)

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Demand deposits ^{a/}	79,076	86,113	96,603	113,952	134,473	145,242	166,422	209,930	253,484	312,388	316,378	388,551
Savings deposits ^{a/}	66,375	75,553	83,835	91,020	108,116	111,357	122,404	147,993	176,396	203,583	219,461	233,372
Savings deposits in foreign currency ^{b/}	3,532	4,900	5,541	6,764	8,561	9,406	10,609	14,405	19,361	23,677	29,703	32,828
Time deposits ^{a/}	27,519	39,591	51,674	59,781	71,501	78,454	87,311	116,070	156,549	208,501	214,954	207,377
" " in foreign currency ^{b/}	1,824	2,159	5,458	7,655	6,365	5,107	8,896	12,041	17,207	22,807	12,434	14,276
Other deposits ^{a/} , ^{b/}	10,642	12,247	16,682	22,036	23,206	24,301	30,883	42,019	57,656	75,431	75,546	78,862
Contractual savings ^{a/}	15,757	17,526	17,537	18,544	19,637	22,471	25,884	30,264	34,685	39,071	42,521	47,960
Bonds, etc. ^{a/}	4,351	4,034	7,681	10,892	14,268	17,010	11,871	24,466	37,272	50,823	51,752	31,012
Other liabilities ^{a/}	3,112	2,724	6,688	5,066	5,418	6,414	11,087	14,907	17,722	24,681	22,318	26,527
Liabilities to Central Bank	15,921	19,367	19,029	18,672	29,812	45,177	67,434	64,152	79,017	78,483	99,736	179,766
Liabilities to public sector ^{c/}						8,701	8,290	12,307	16,075	13,536	24,181	25,116
	170	767	1,602	2,365	2,371							
Public sector deposits ^{c/}						300	5,020	7,510	11,584	15,416	21,240	14,263
Foreign liabilities: short term ^{d/}						25,060	29,819	42,773	65,244	34,049	96,804	59,581
	14,303	20,648	35,365	40,751	55,513							
Foreign liabilities: medium and long term ^{d/}						34,370	35,205	44,196	68,830	70,102	37,157	33,670
Capital and reserves	40,983	45,701	52,024	56,640	61,199	68,657	79,461	91,938	105,069	121,957	144,358	160,642
Required reserves	44,072	55,934	64,856	81,019	94,820	101,066	100,527	134,369	197,613	243,381	272,315	245,282
Excess reserves	4,839	1,207	3,132	6,546	5,212	6,562	23,578	11,507	12,874	8,828	5,249	54,271

^{a/} In hands of private sector.

^{b/} Foreign currency deposits are included within other deposits.

^{c/} Public sector deposits and other liabilities are not distinguished before 1974.

^{d/} Short-term and long-term foreign liabilities are not distinguished before 1974.

Source: Central Bank of Honduras, Monthly Statistical Bulletin

TABLE 5

COMMERCIAL BANKS - HONDURAS
LIABILITIES AT YEAR-END, 1969 - 1980
(Per cent of Total)

	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Demand deposits <u>a/</u>	28.4	26.5	24.8	25.9	25.6	24.7	24.4	24.7	23.5	25.1	23.2	26.1
Savings deposits <u>a/</u>	23.8	23.3	21.5	20.7	20.6	18.9	17.9	17.4	16.4	16.3	16.1	15.7
" " in												
Foreign currency <u>b/</u>	1.3	1.5	1.4	1.5	1.6	1.6	1.6	2.3	1.8	1.9	2.2	2.2
Time deposits <u>a/</u>	9.9	12.2	13.3	13.6	13.6	13.4	12.8	13.7	14.5	16.7	15.7	13.9
" " in												
Foreign currency <u>b/</u>	.6	.6	1.4	1.7	1.2	.8	1.3	1.4	1.6	1.8	.9	.9
Other deposits <u>a/</u> , <u>b/</u>	3.8	3.7	4.3	5.0	4.4	4.1	4.5	4.9	5.3	6.0	5.5	5.3
Contractual savings <u>a/</u>	5.6	5.4	4.5	4.2	3.7	3.8	3.8	3.6	3.2	3.1	3.1	3.2
Bonds, etc. <u>a/</u>	1.5	1.2	1.9	2.5	2.7	2.9	1.7	2.8	3.5	4.1	3.8	2.1
Other liabilities <u>a/</u>	1.1	.8	1.7	1.2	1.0	1.1	1.6	1.7	1.6	1.9	1.6	1.8
Liabilities to Central Bank	5.7	5.9	4.9	4.3	5.7	7.7	9.9	7.6	7.3	6.3	7.3	12.1
Liabilities to Public Sector <u>c/</u>	.06	.2	.4	.5	.5	1.5	1.2	1.5	1.5	1.1	1.7	1.7
Public Sector deposits <u>c/</u>						.05	.7	.9	1.1	1.2	1.5	.9
Foreign liabilities:												
Short term <u>d/</u>	5.1	6.3	9.1	9.3	10.6	4.3	4.4	5.0	6.0	2.7	7.1	4.0
Foreign liabilities:												
Medium & Long term <u>d/</u>						5.9	5.2	5.2	6.4	5.6	2.7	2.3
Capital and reserves	14.7	14.1	13.4	12.8	11.6	11.7	11.7	10.8	9.7	9.7	10.6	10.8
Required reserves	15.8	17.2	16.7	18.4	18.0	17.2	14.7	15.8	18.3	19.5	19.9	16.5
Excess reserves	1.7	.4	.8	1.5	.9	1.1	3.5	1.4	1.2	.7	.4	3.6

a/ In hands of private sector.

b/ Foreign currency deposits are included within other deposits.

c/ Public sector deposits and other liabilities are not distinguished before 1974.

d/ Short-term and long-term foreign liabilities are not distinguished before 1974.

Source: Central Bank of Honduras, Monthly Statistical Bulletin

TABLE 6

COMMERCIAL BANKS - HONDURAS
LIABILITIES AT YEAR-END, 1969 - 1980
(Growth Rates in Per Cent Per Year)

	69-70	70-71	71-72	72-73	73-74	74-75	75-76	76-77	77-78	78-79	79-80
Demand Deposits <u>a/</u>	8.9	12.2	18.0	18.0	8.0	14.6	26.1	20.7	23.5	1.1	22.8
Savings Deposits <u>a/</u>	13.8	10.9	8.6	18.8	3.0	.9	20.9	19.2	15.4	7.8	6.3
Foreign currency <u>b/</u>	39.0	13.1	22.1	26.6	9.8	12.8	82.9	-.2	22.3	25.5	10.5
Time deposits <u>a/</u>	43.9	30.5	15.7	19.6	9.7	11.3	32.9	34.9	33.2	3.1	-3.5
Foreign currency <u>b/</u>	18.4	152.8	40.3	-16.9	-19.8	74.2	35.4	42.9	32.5	-45.5	14.8
Other deposits <u>a/</u> , <u>b/</u>	15.1	36.2	32.1	5.3	4.7	27.1	36.1	37.2	30.8	.2	4.4
Contractual savings <u>a/</u>	11.2	.06	5.7	5.9	14.4	15.2	16.9	14.6	12.6	8.8	12.8
Bonds, etc. <u>a/</u>	-7.3	90.4	41.8	31.0	19.2	-30.2	106.1	52.3	36.4	1.8	-40.1
Other liabilities <u>a/</u>	-12.5	145.5	-24.3	6.9	18.4	72.8	34.5	18.9	39.3	-9.6	18.9
Liabilities to Central Bank	21.6	1.8	-1.9	60.0	51.5	49.3	-4.9	23.2	-.7	27.1	80.2
Liabilities to Public Sector <u>c/</u>	351.2	108.9	47.6	.3	266.9	-4.7	48.5	30.6	-15.8	78.6	3.9
Public Sector Deposits <u>c/</u>					-87.4	1573.3	49.6	54.3	33.1	37.8	-32.9
Foreign Liabilities: Short term <u>d/</u>					-54.9	18.9	43.4	52.5	-47.8	184.3	-38.5
Foreign Liabilities: Medium & Long Term <u>d/</u>	44.4	71.3	15.2	36.2							
Capital and Reserves	11.5	13.8	8.9	8.0	-38.1	2.4	25.5	55.7	1.9	-47.0	-9.4
Required Reserves	26.9	16.0	24.9	17.0	6.6	-.5	33.6	47.1	23.2	11.9	-9.9
Excess Reserves	-75.1	159.5	109.0	-20.4	25.9	259.3	-51.2	11.9	-31.4	-40.5	33.9
TOTAL	16.6	19.9	13.1	19.5	11.8	16.0	24.6	27.2	15.6	9.4	8.8

a/ In hands of private sector.

b/ Foreign currency deposits are included within other deposits.

c/ Public sector deposits and other liabilities are not distinguished before 1974.

d/ Short-term and long-term foreign liabilities are not distinguished before 1974.

Source: Central Bank of Honduras, Monthly Statistical Bulletin

TABLE 7

NATIONAL AGRICULTURAL DEVELOPMENT BANK - HONDURAS

LIABILITIES AT YEAR-END, 1969 1980
(Thousands of Lempiras)

	1969	1970	1971 <u>e/</u>	1972	1973	1974	1975	1976	1977	1978	1979	1980
Demand deposits <u>a/</u> ,	5,299	5,199	4,743	6,037	7,165	5,868	6,744	7,549	6,599	6,627	9,019	9,779
Savings deposits <u>a/</u>	3,404	3,988	4,129	4,532	5,799	5,854	5,981	6,661	9,922	11,268	13,574	14,175
Time deposits <u>a/</u> ,	3,896	3,899	2,185	2,108	3,181	2,102	3,164	4,452	8,722	4,460	3,835	6,793
Other deposits <u>a/</u> , <u>b/</u>	159	137	336	255	168	218	922	4,989	1,094	1,823	987	1,486
Bond, etc. <u>a/</u>	60	25	1	2,000	3,334	3,616	899	1,320	3,630	4,962	4,445	2,450
Other liabilities <u>a/</u>	432	416	546	829	1,373	1,551	1,526	1,680	1,731	2,050	3,276	3,688
Liabilities to Central Bank	14,628	12,873	15,971	15,380	23,170	34,218	48,926	51,779	51,002	60,839	58,966	77,922
Liabilities to public sector <u>c/</u> ,			6,815	10,173	12,083	2,425	17,985	19,885	18,376	10,961	9,528	6,749
Public Sector deposits, <u>c/</u> ,						7,704	11,509	14,625	6,916	15,448	21,637	22,999
Foreign liabilities: short-term <u>d/</u>	29,736	34,381	28,381	32,663	34,540	7,600	11,008	10,640	13,296	12,265	26,232	18,354
Foreign liabilities: medium and long term <u>a/</u>						34,401	61,668	63,906	55,223	47,997	42,766	38,145
Capital and reserves	35,681	42,062	46,699	52,242	56,875	60,300	67,363	84,383	80,545	75,592	81,280	68,905
Required reserves <u>f/</u>	4,376	3,805	5,086	6,640	7,103	6,208	7,042	9,844	9,997	12,443	16,055	16,359
Excess reserves <u>f/</u>	79	766	- 776	-1,150	321	1,988	3,593	9,356	15,458	8,402	1,239	3,503

1974

- a) In hands of private sector. Time deposits and bonds before/ include small amounts in hands of public sector.
b) Other deposits include: primarily foreign currency deposits.
c) Public sector deposits and other liabilities are not distinguished before 1974.
d) Short-term and long-term foreign liabilities are not distinguished before 1974.
e) Public sector deposits and other liabilities are reported separately starting 1971
f) Includes small amounts of reserves of other development banks.

Source: Central Bank of Honduras, Monthly Statistical Bulletin

TABLE 8

NATIONAL AGRICULTURAL DEVELOPMENT BANK - HONDURAS
LIABILITIES AT YEAR-END, 1971 - 1980
(Per Cent of Total)

	1971 ^{e/}	1972	1973	1974	1975	1976	1977	1978	1979	1980
Demand deposits <u>a/</u>	4.3	4.8	4.9	3.5	2.8	2.8	2.6	2.6	3.3	3.6
Savings deposits <u>a/</u>	3.8	3.6	3.4	3.5	2.5	2.5	3.5	4.4	4.3	5.2
Time deposits <u>a/</u>	1.9	1.7	2.2	1.3	1.3	1.6	3.4	1.8	1.4	2.5
Other deposits <u>a/</u> , <u>b/</u>	.3	.2	.1	.1	.4	1.8	.4	.7	.4	.5
Bonds, etc. <u>a/</u>	.0	1.6	2.3	2.2	.4	.5	1.4	1.9	1.6	.9
Other liabilities <u>a/</u>	.5	.6	.9	.9	.6	.6	.7	.8	1.2	1.4
Liabilities to Central Bank	14.5	12.2	15.7	20.6	20.7	19.1	19.9	23.9	21.4	28.7
Liabilities to Public Sector <u>c/</u>	6.2	8.1	8.2	1.5	7.6	7.3	7.2	4.3	3.5	2.5
Public Sector Deposits <u>c/</u>				4.6	4.8	5.4	2.7	6.1	7.9	8.5
Foreign Liabilities Short term <u>d/</u>	25.8	25.8	23.4	4.6	4.6	3.9	5.2	4.8	9.5	6.7
Foreign Liabilities Medium & Long-term <u>a/</u>				20.7	26.1	23.5	21.6	18.9	15.5	14.1
Capital and reserves	42.5	41.4	38.5	36.4	28.5	31.0	31.5	29.7	29.5	25.4
Required reserves <u>f/</u>	4.6	5.26	4.8	3.7	2.9	3.6	3.9	4.9	5.8	6.0
Excess reserves <u>f/</u>			.2	1.2	1.5	3.4	6.0	3.3	.5	1.3

1974

a/ In hands of private sector. Time deposits and bonds before/include small amounts in hands of public sector.b/ Other deposits include primarily foreign currency deposits.c/ Public sector deposits and other liabilities are not distinguished before 1974.d/ Short-term and long-term foreign liabilities are not distinguished before 1974.e/ Public sector deposits and other liabilities are reported separately starting 1971.f/ Includes small amounts of reserves of other development banks.Source: Central Bank of Honduras, Monthly Statistical Bulletin

TABLE 9

NATIONAL AGRICULTURAL DEVELOPMENT BANK - HONDURAS
LIABILITIES AT YEAR-END, 1971 - 1980
(Growth Rates in Per Cent Per Year)

	71-72 ^{e/}	72-73	73-74	74-75	75-76	76-77	77-78	78-79	79-80
Demand deposits ^{a/}	27.2	18.7	-18.1	14.9	11.9	-12.6	.4	36.1	8.4
Savings deposits ^{a/}	9.7	28.0	.9	2.2	11.4	33.9	26.3	20.5	4.4
Time deposits ^{a/}	-3.5	50.9	-33.9	50.5	40.7	95.9	-48.9	-14.0	77.1
Other deposits ^{a/, b/}	-24.1	-34.1	29.8	322.9	441.1	-78.1	66.6	-45.9	50.6
Bonds, etc. ^{a/}	1999.0	66.7	8.5	-75.1	46.8	175.0	36.7	-10.4	-44.9
Other liabilities ^{a/}	51.8	65.6	13.0	-1.6	10.1	3.0	18.4	59.8	12.6
Liabilities to Central Bank	-3.7	50.7	47.7	43.0	5.8	-1.5	19.3	-3.1	32.1
Liabilities to Public Sector ^{c/}	49.3	18.8	-16.2	641.7	10.6	-7.6	-40.4	-13.1	-29.2
Public Sector Deposits ^{c/}				49.4	27.1	-52.7	123.4	40.1	6.3
Foreign Liabilities Short term ^{d/}	15.1	5.7	21.6	44.8	-3.3	25.0	-7.8	113.9	-30.0
Foreign Liabilities Medium & Long-term ^{a/}				79.3	3.6	-13.6	-13.1	-10.9	-10.8
Capital and reserves	11.9	8.9	6.0	11.7	25.3	-4.5	-6.1	7.5	-15.2
Required reserves ^{f/}	30.6	7.0	-12.6	13.4	39.8	1.6	24.5	29.0	1.9
Excess reserves ^{f/}			519.3	80.7	160.4	65.2	-45.6	-85.2	182.7
TOTAL	14.9	17.0	12.3	42.7	14.9	-5.8	-.7	8.4	-1.5

^{a/} In hands of private sector. Time deposits and bonds before 1974 include small amounts in hands of public sector.

^{b/} Other deposits include primarily foreign currency deposits.

^{c/} Public sector deposits and other liabilities are not distinguished before 1974.

^{d/} Short-term and long-term foreign liabilities are not distinguished before 1974.

^{e/} Public sector deposits and other liabilities are reported separately starting 1971.

^{f/} Includes small amounts of reserves of other development banks.

Source: Central Bank of Honduras, Monthly Statistical Bulletin

TABLE 10

SPECIALIZED SAVINGS INSTITUTIONS - HONDURAS

LIABILITIES AT YEAR - END, 1969-1980
(Thousands of Lempiras)

	1969	1970	1971 ^{e/}	1972	1973	1974	1975	1976	1977	1978	1979	1980
Savings deposits ^{a/}	195	621	1,266	2,016	2,675	2,711	4,233	5,617	11,337	22,757	32,825	44,855
Time deposits ^{a/}	63	498	232	282	295	1,119	4,263	3,716	6,800	10,920	13,968	20,357
Other deposits ^{a/} , ^{b/}	4	59	26	74	166	187	347	628	2,255	1,263	2,507	3,091
Bonds, etc. ^{a/}	518	2,934	0	2,000	7,514	10,272	13,955	0	0	0	43	4,868
Other liabilities ^{a/}	1,364	2,513	89	104	160	284	373	463	734	809	1,190	2,167
Liabilities to Central Bank	2,764	4,580	430	500	500	550	1,195	3,336	0	0	5,000	11,000
Liabilities to public sector ^{c/}	0	0	0	0	0	1,339	381	1,500	5,220	3,934	4,951	7,867
Public sector deposits ^{c/}	0	0	0	0	0	0	0	300	0	1,862	3,060	12,736
Foreign liabilities ^{d/}	18,305	18,468	3,918	9,206	10,631	13,390	16,215	9,468	10,586	10,107	11,136	14,956
Capital and reserves	7,043	8,701	3,123	3,423	3,585	4,910	8,258	7,019	12,329	19,906	23,896	23,975
Required reserves	232	868	304	485	662	818	1,787	1,634	4,285	5,836	10,490	12,620
Excess reserves	587	882	188	287	324	232	782	1,701	1,087	1,749	-3,171	376

a) In hands of private sector.

b) Other deposits include primarily foreign currency deposits.

c) Public sector deposits and other liabilities are not distinguished before 1974.

d) Foreign liabilities are almost entirely medium and long term.

e) An important savings institution became a bank in 1971

Source: Central Bank of Honduras, Monthly Statistical Bulletin

TABLE 11

SPECIALIZED SAVINGS INSTITUTIONS - HONDURAS
LIABILITIES AT YEAR-END, 1971 - 1980
(Per cent of Total)

	1971	1972 ^{e/}	1973	1974	1975	1976	1977	1978	1979	1980
Savings deposits <u>a/</u>	13.9	11.5	10.5	7.8	8.6	17.5	23.0	31.8	33.3	30.7
Time deposits <u>a/</u>	2.5	1.6	1.2	3.2	8.6	11.6	13.8	15.3	14.2	13.9
Other deposits <u>a/</u> , <u>b/</u> ,	.3	.4	.6	.5	.7	1.9	4.6	1.7	2.5	2.1
Bonds, etc. <u>a/</u>	0	11.4	25.4	29.5	28.4	0	0	0	.04	3.3
Other liabilities <u>a/</u>	.9	.6	.6	.8	.8	1.4	1.5	1.1	1.2	1.5
Liabilities to Central Bank	4.7	2.8	1.9	1.6	2.4	10.4	0	0	5.1	7.5
Liabilities to Public Sector <u>c/</u>	0	0	0	3.9	.8	4.7	10.6	5.5	5.0	5.4
Public Sector Deposits <u>c/</u>	0	0	0	0	0	.9	0	2.6	3.1	8.7
Foreign liabilities <u>d/</u>	43.1	52.3	41.6	38.5	32.9	29.5	21.5	14.1	11.3	10.3
Capital and reserves	34.4	19.4	14.0	14.1	16.8	21.9	25.0	27.8	24.3	16.4
Required reserves	3.4	2.7	2.6	2.4	3.6	5.1	8.7	8.2	10.6	8.7
Excess reserves	2.1	1.6	1.3	.7	1.6	5.3	2.2	2.4	0	.26

a/ In hands of private sector.

b/ Other deposits include primarily foreign currency deposits.

c/ Public sector deposits and other liabilities are not distinguished before 1974.

d/ Foreign liabilities are almost entirely medium and long-term.

e/ An important savings institution became a bank in 1971

Source: Central Bank of Honduras, Monthly Statistical Bulletin

TABLE 12

SPECIALIZED SAVINGS INSTITUTIONS - HONDURAS
LIABILITIES AT YEAR-END, 1971 - 1980
(Growth Rates in per Cent per Year)

	71-72 <u>e/</u>	72-73	73-74	74-75	75-76	76-77	77-78	78-79	79-80
Savings deposits <u>a/</u>	59.6	32.7	1.4	56.1	32.7	101.8	100.7	44.2	36.6
Time deposits <u>a/</u>	21.5	4.6	279.3	280.9	-12.8	83.0	60.6	27.9	45.7
Other deposits <u>a/</u> , <u>b/</u> ,	184.6	124.3	12.6	85.6	80.9	259.1	-44.0	98.5	23.3
Bonds, etc. <u>a/</u>	-	275.7	36.7	35.8	-	-	-	-	11320.9
Other liabilities <u>a/</u>	16.8	53.8	77.5	31.3	24.1	58.5	10.2	47.1	82.1
Liabilities to Central Bank	16.3	0	10.0	117.3	179.2	-	-	-	120.0
Liabilities to Public Sector <u>c/</u>				-71.5	293.7	248.0	-24.6	26.0	58.7
Public Sector Deposits <u>c/</u>								64.3	316.2
Foreign liabilities <u>d/</u>	134.9	15.5	25.9	21.1	-41.6	11.8	-4.5	10.2	34.3
Capital and reserves	9.6	4.7	36.9	68.2	-15.0	75.6	61.5	20.0	.3
Required reserves	59.5	36.5	23.6	118.5	-8.6	162.2	36.2	79.8	20.3
Excess reserves	52.6	12.9	-28.4	237.1	117.5	-36.1	60.9	-218.3	
TOTAL	93.8	44.9	36.8	41.6	-34.9	47.5	51.4	37.7	47.9

a/ In hands of private sector.

b/ Other deposits include primarily foreign currency deposits.

c/ Public sector deposits and other liabilities are not distinguished before 1974.

d/ Foreign liabilities are almost entirely medium and long-term.

e/ An important savings institution became a bank in 1971.

Source: Central Bank of Honduras, Monthly Statistical Bulletin

V

BANADESA - THE DELINQUENCY QUESTION
AND LENDING COSTS

Carlos Cuevas
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BANADESA - THE DELINQUENCY QUESTION AND LENDING COSTS

1. Delinquency Data and Related Issues

Previous material has analyzed the role and relative importance of BANAFOM - BANADESA in the past two decades in the global supply of agricultural credit in the Honduran financial sector. The present chapter is concerned with a more detailed look into the issue of delinquency and the trend and composition of lending costs. BANADESA was also established in March 1980, as a result of juridical reorganization of the earlier agricultural development hauls, BANAFOM. For convenience, however, we shall be using the term BANADESA to refer to the institution over the entire period under study here unless explicit comparison between the two is undertaken.

Delinquency or arrears can be studied through many different forms. In this section we choose to present a multi-faceted perspective on the delinquency questions in BANADESA since it is an important problem in the institution. First we present a historical time series on delinquency in the 1970's. Next we study the age structure of this delinquency profile and delinquency by enterprise type in the BANADESA portfolio in the 1970's. This is followed by a brief discussion of delinquency by client. The study then addresses the issue of whether the more recent BANADESA administration has performed better than its predecessor institution, BANAFOM, in lowering delinquency rates. Within this context arrears ratios will be analyzed by enterprise

type and loan size for the reform and non-reform sectors within the two institutions. The section closes with a discussion of the problems associated with recovering delinquent loans and BANADESA's performance in this area.

Table 1 summarizes the delinquency record in the 1970's for both agricultural and non-agricultural clients. To gain a complete perspective on delinquency one should look at both delinquent balances per-se and all rescheduled and refinanced loan balances. In so doing we can see that the delinquency ratio rose from 33.6 percent in 1970 to 50.2 by 1980. Non-delinquent loans commensurately fell from two-thirds to slightly less than one-half of the total portfolio in this ten year period. While some year to year variations occur the overall trend through time of a deteriorating loan portfolio is unmistakable.

Table 2 underscores the fact that between 80 to 90 percent of these delinquent loans have been due for 90 days or more. Independent data for 1978, not reported here, further highlight the fact that a heavy proportion is over one year in arrears. If an institution's arrears are a high percent (say 30 to 40 percent) and constant (i.e., not growing) and are of relatively short duration (say 180 days or less), one can argue that there is merely an administrative delay in finally securing late payments and reporting same. But, in the end, they are paid. However when your

TABLE 1
LOANS OUTSTANDING OF BANAFOM AND BANADESA (AS OF 31 DECEMBER) BY DELINQUENT AND
NON-DELINQUENT STATUS 1970 - 1980
(Loans Balances in Thousands of Lempiras)

Years	Total Loans Outstanding				Rescheduled and Refinanced Loans				Delinquent Loan Balances (1)				Non-Delinquent Loan Balances			
	No.	%	Amount (L,000)	%	No.	%	Amount (L,000)	%	No.	%	Amount (L,000)	%	No.	%	Amount (L,000)	%
1970	37,102	100.0	69,243.2	100.0	726	2.0	7,760.9	11.2	8,587	23.1	14,794.4	21.4	21,789	74.9	46,667.9	67.4
1971	33,976	100.0	72,171.5	100.0	542	1.6	8,276.4	11.5	11,565	35.2	17,561.1	24.9	27,469	63.2	45,534.2	63.5
1972	32,453	100.0	84,148.1	100.0	782	2.4	11,608.7	13.8	10,633	32.7	15,158.8	18.0	21,078	64.9	57,332.6	68.2
1973	34,782	100.0	97,589.2	100.0	555	1.6	15,116.7	15.5	10,044	28.9	17,706.7	18.1	24,183	69.5	64,763.8	66.4
1974	35,737	100.0	114,301.9	100.0	632	1.6	16,220.1	14.2	9,924	24.9	25,830.5	22.7	29,241	73.5	72,191.3	63.1
1975	56,902	100.0	131,882.1	100.0	1,164	2.0	17,683.3	13.4	18,541	32.6	34,101.2	25.9	37,197	65.4	80,097.6	60.7
1976	55,009	100.0	135,546.9	100.0	923	1.7	16,828.6	12.3	24,664	44.8	44,139.1	32.3	29,421	53.5	75,579.2	55.4
1977	47,443	100.0	131,881.5	100.0	695	1.5	15,284.9	11.6	22,958	41.4	46,879.2	35.5	23,790	50.1	69,717.4	52.9
1978	41,951	100.0	141,647.2	100.0	492	1.2	18,596.7	13.1	22,619	53.9	47,739.5	33.7	18,840	44.9	75,311.0	53.2
1979	44,520	100.0	161,147.7	100.0	490	1.1	20,295.2	12.6	25,280	56.8	51,472.3	31.9	18,750	42.1	89,380.2	55.5
1980	43,738	100.0	166,482.1	100.0	408	0.9	15,066.5	8.9	26,035	59.5	69,559.8	41.3	17,355	39.6	83,855.8	49.8

(1) Delinquent loans are defined as all loans one day or more delinquent in payment. Loans more than 90 days delinquent comprise between 80 and 90 percent of this total of delinquent loans between 1970 and 1980

Source: BANADESA files

TABLE 2
TOTAL LOANS OUTSTANDING (AS OF DECEMBER 31st) AND BY SELECTED
DELINQUENT STATUS 1970 - 1980 (In Thousands of Lempiras)

DELINQUENT LOAN BALANCES								
YEARS	TOTAL	%	LESS THAN 90 DAYS	%	MORE THAN 90 DAYS	%	TOTAL LOANS OUTSTANDING	DELINQUENCY RATIO
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(col 1/col 7)
1970	14,794.4	100.0	1,158.0	7.8	13,636.4	92.2	69,243.2	21.4
1971	17,961.1	100.0	2,429.5	13.5	15,531.6	86.5	72,171.5	24.9
1972	15,158.8	100.0	1,908.3	12.5	13,250.5	87.5	84,148.1	18.0
1973	17,708.7	100.0	2,778.3	15.7	14,930.4	84.3	97,589.2	18.1
1974	25,890.5	100.0	6,452.8	24.9	19,437.7	75.1	114,301.9	22.7
1975	34,101.2	100.0	6,765.4	19.8	27,335.8	80.2	131,882.1	25.9
1976	44,139.1	100.0	8,297.3	18.8	35,841.8	81.2	136,546.9	32.3
1977	46,879.2	100.0	7,002.5	14.9	39,876.7	85.1	131,881.5	35.5
1978	47,739.5	100.0	4,044.3	8.5	43,695.2	91.5	141,647.2	33.7
1979	51,472.3	100.0	5,324	10.3	46,148.3	89.7	161,147.7	31.9
1980	69,559.8	100.0	13,706.3	19.7	55,853.5	80.3	168,482.1	41.3

Source: BANAQESA files.

arrears ratio is both high, growing and finally "aging", then the institution is clearly in trouble as a substantial number of clients are deliberately ignoring their obligations.

Weather and related climate problems (for agricultural clients) can explain a temporary interruption in repayment for one or maybe two growing seasons but not for a period as long as two, three or more years. When no effort whatsoever for even partial repayment has been forthcoming for that period of time, especially for medium to large sized clients, one can only conclude this reflects a deliberate act of non-repayment because of the lack of effective sanctions. The institution, in effect, has engaged in a rather high cost process of transferring income from Honduran and foreign taxpayers to their clients.

Having said this it is important to mention that BANADESA's arrears data, reported in all the tables in this section, are significantly underestimated. The term "vencidos" is used as our basis of calculation of arrears, however, it has been reported to us by BANADESA officials that a loan is only recorded as "vencido" after all of its installments have been recorded as unpaid. In effect delinquent repayments on a series of long term loan installments are not included as delinquent or "vencido" in BANADESA's statistics until after the last installment has fallen due and remained unpaid. This means that none of the ongoing and growing delinquency

associated with long term loans is being recorded. Since BANADESA has engaged in many long term loans in the past (see Table 3) one can only surmise there is a built in downward bias in the delinquency ratios reported in Tables 1 and 2. This further means that the major (and probably) only way BANADESA improves its delinquency ratio is to acquire and loan out more long term loans. This adds to the denominator but not to the numerator of the delinquency ratio. If arrears were estimated on the basis of the amount due (rather than outstanding but not due) that picture would be much more severe. Therefore these arrears ratios should be considered as lower bound estimates.

With this limitation in mind we can now move on to the remaining tables. Table 4 illustrates the changing profile of delinquency by crop type and sector for the 1970's. These data do not include rescheduled and refinanced loans, only explicit delinquent balances as defined above. The results can be summarized as follows:

- 1) Up until 1980 agriculture generally recorded higher delinquency ratios than other sectors in BANADESA's portfolio. The years 1975, 6, 7, stand out here, perhaps as a partial after effect of Hurricane Fifi in 1974.
- 2) Within the agricultural portfolio basic grains (using corn as a proxy here) clearly are a riskier and more delinquency ridden component of the portfolio than are the export crops.

TABLE 3

CHANGING SHARES OF TERM STRUCTURE OF NEWLOANS IN BANADESA LOAN PORTFOLIO
1970 - 80.

<u>YEAR</u>	<u>SHORT</u> <u>TERM (1)</u>	<u>LONG +</u> <u>MEDIUM TERM</u>	<u>TOTAL</u> <u>(%)</u>
1970	58.2	41.8	100
1971	57.2	42.8	100
1972	47.0	53.0	100
1973	56.6	43.4	100
1974	69.8	30.2	100
1975	56.9	43.1	100
1976	72.2	27.8	100
1977	74.3	25.7	100
1978	69.4	30.6	100
1979	75.9	24.1	100
1980	80.2	19.8	100

(1) One year or less

Source: BANADESA files

TABLE 4

BANADESA (AGRICULTURAL DEVELOPMENT BANK). DELINQUENCY RATIOS (DELINQUENT BALANCES/LOANS
OUTSTANDING BY SECTOR AND ENTERPRISE TYPE IN PERCENTAGE
1970 - 1980

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Agriculture	24.62	29.16	19.97	20.26	25.03	31.42	40.75	54.01	35.04	30.67	34.98
Cotton	15.20	28.68	12.15	10.47	9.40	20.98	17.92	18.24	17.90	17.70	11.81
Coffee	25.02	28.56	20.75	15.72	45.66	68.77	35.33	58.29	20.62	12.67	33.81
Corn	47.96	38.09	41.97	44.10	30.70	43.29	65.08	75.19	75.66	81.84	65.93
Tobacco	19.43	52.55	19.91	17.04	18.24	23.43	22.94	26.48	27.14	31.68	40.81
Others	21.94	12.54	15.22	20.80	16.72	18.55	40.07	32.58	31.49	30.33	30.22
Livestock	21.25	22.10	15.87	18.83	22.18	20.94	22.16	23.09	33.79	30.36	53.04
Industry	23.53	22.14	20.27	15.57	19.55	19.18	20.80	18.26	21.02	48.78	48.52
Trade and Others	4.34	12.05	9.80	4.83	13.55	18.23	13.64	29.49	41.40	32.75	71.24
Total	21.37	24.89	18.01	18.15	22.65	25.86	32.33	35.55	33.70	31.94	41.29

Source: Computed based on data from BANADESA, Economic Studies Division

- 3) In 1980 the livestock portfolio as well as the non-agricultural sectors of trade and industry increased their delinquency ratios dramatically. In the case of livestock and industry loans this rise may be due to the fact that many long term loans made in the early to mid- 1970's have now run their course. As explained earlier, BANADESA does not record an ongoing record of the growing delinquency of long term loans. They merely record the loan as delinquent after the last installment has gone unpaid. In short, there may have been a lot of "last installments" falling due in 1980 in these two areas.

In the case of trade, we can only surmise that the contraction of credit in the financial sector in 1980 is being reflected in the growing delinquency in this sector.

Table 5 offers us a brief insight into the delinquency record by type of client in 1979. Several principal findings emerge here. First, non-agricultural loans represent a small part of the total delinquency in BANADESA (but remember the rise in 1980 discussed in the previous paragraph); second, large farmers (100 manzanas or more) represent 31 percent of the total delinquency recorded in the bank that year while small farmers (10 manzanas or less) account for only 4.5 percent)... Third, when one looks at delinquency within groups we see that the arrears rate for small and large farmers does not appear much different and both are roughly comparable to that recorded by reform groups. Medium sized farmers however recorded a much better delinquency ratio.

TABLE 5

*
DISTRIBUTION OF DELINQUENCY BY CLIENT
BANADESA PORTFOLIO LOANS OUTSTANDING
(JUNE 30, 1979)

<u>TYPE OF CLIENT</u>	<u>SHARE OF DELINQUENCY IN TOTAL PORTFOLIO</u>	<u>DELINQUENCY RATIO WITHIN EACH CLIENT GROUP (1)</u>
Non agricultural loans	6.6	33.3
Agrarian reform loans	29.0	60-67
Coop. and other group loans	15.4	77.5
Large farmer (100 Mz +)	31.0	41.4 - 54.6 (2)
Medium sized farmers (10-100 Mz)	13.5	38.6
Small farmers (-10 Mz)	<u>4.5</u>	55.3
	100.0	

* Delinquency here includes refinanced and rescheduled loans as well as delinquent loans.

(1) Delinquent loan balances/total loans outstanding.

(2) Lowest percent includes largest farmer loan in portfolio; highest percent excludes this single farmer.

Source: Crédito Agropecuario: Diagnóstico y Recomendaciones,
Coopers and Lybrand et. al,

Tegucigalpa, 1979. P. 63.

The remaining tables in this section set forth delinquency ratios in a comparative context to determine the extent to which the recent reorganization of BANAFOM into BANADESA has in fact made a difference in the arrears record for the agricultural portfolio. It should be made clear at the outset that these remaining tables refer only to agricultural loans. Two frames of reference are established: (1) the accumulated arrears record to date (7/31/81) for agricultural loans which allegedly includes the arrears on all agricultural loans still outstanding regardless of the years in which they were made and; (2) the arrears on agricultural loans made only in the period 1980-81. The former measure largely reflects the record of BANAFOM, the previous Development Bank, while the latter measure reflects the arrears record of BANADESA, BANAFOM's successor institution launched in 1980.

Several biases are inherent in the data. Delinquent repayments on long term loans are not recorded in the data since the loan is still considered active and non-delinquent until its last due payment matures. This means the delinquency rate is underestimated in this data to the extent that there are medium to long term loans in the portfolio (as there certainly are) that are currently in some state of arrears but not recorded as a delinquent balance since they haven't run to their final installment

yet. It is unclear whether this bias would have a stronger impact on the BANAFOM or BANADESA portfolio.

Another bias concerns the more recent BANADESA portfolio. Since our accounting date ends on July 31, 1981, many seasonal loans issued in late 1980 and early 1981 would not be due until late 1981 or early 1982. This means that the denominator in the delinquency ratio would be overestimated and the delinquency rate lower than it should be. Ideally one would like to have included only those loan balances on which payments are due in the denominator. Still the resulting underestimate of delinquency for the BANADESA portfolio of 1980-81 should not affect our conclusions on institutional comparisons if the differences are fairly substantial. The following comparisons will focus on differences by enterprise type, and loan size for the reform and non-reform clientele.

Table 6 presents the delinquency data on the entire agricultural portfolio for the two institutions for the reform and non-reform clienteles. The data show that the recent reorganization may have made a difference in arrears performance in that the BANADESA delinquency ratios are substantially below those for the accumulated arrears of the BANAFOM-BANADESA period. This stands out for both the reform and non-reform sectors, however the contrast is

Table 6 . Delinquency Ratios (By Number of Loans and Amounts) for BANAFOM + BANADESA and BANADESA Alone by Sector of Loan

Institution	Delinquency Ratios ^{1/}		Total Portfolio
	Non-Reformed Sector	Reformed Sector	
1) BANAFOM + BANADESA (Total Accumulated Arrears)			
a) By No. of Loans	70	57	69
b) By Outstanding Balance	45	40	44
2) BANADESA (1980-1)			
a) By No. of Loans	35	29	35
b) By Outstanding Balance	30	35	31

^{1/} Delinquency ratio equals $(D/D+C) 100$, where D equals delinquent loans and C equals current or non-delinquent loans.

Source: BANADESA files.

Table 7. BANADESA -- Accumulated Delinquency Ratios^{1/} by Enterprise Type,
by Type of Borrower (includes BNF Operations)

	Non-Reformed Sector		Reformed Sector		Total	
	No. of Loans Ratio (%)	Outstanding Balance Ratio (%)	No. of Loans Ratio (%)	Outstanding Balance Ratio (%)	No. of Loans Ratio (%)	Outstanding Balance Ratio (%)
Crops	.73	.53	.59	.38	.72	.47
Bananas	--	--	--	--	--	--
Coffee	--	.59	--	1.00	--	.62
Tobacco	--	.33	--	--	--	.33
Cotton	--	.40	--	.23	--	.37
Sugar Cane	--	.24	--	.16	--	.19
Basic Grains	--	.47	--	.57	--	.51
Rice	--	.39	--	.50	--	.44
Corn	--	.52	--	.62	--	.55
Beans	--	.41	--	.31	--	.40
Other Crops	--	.46	--	.40	.60	.44
Livestock	.60	.43	.19	.13	.59	.41
Other	--	--	--	--	--	--
Poultry	.54	.33	.20	.68	1.00	.38
Forestry	--	1.00	--	1.00	.64	1.00
Honey	.63	.39	.69	.55	.47	.40
Fishing	.45	.12	1.00	1.00	--	.17
Total	.70	.45	.57	.40	.69	.44

^{1/}Delinquency ratio equals $(D/D+C)100$ where D = delinquent loans and C = current non-delinquent loans.

Table 8. BANADESA: Delinquency Ratios by Enterprise Type, by Type of Borrower.
1980-81 Operations.

	Non-Reformed Sector		Reformed Sector		Total	
	No. of Loans Ratio (%)	Outstanding Balance Ratio (%)	No. of Loans Ratio (%)	Outstanding Balance Ratio (%)	No. of Loans Ratio (%)	Outstanding Balance Ratio (%)
Total Agriculture	.35	.30	.29	.35	.35	.31
Crops	.38	.35	.30	.27	.37	.33
Bananas	--	--	--	--	--	--
Coffee	--	.52	--	1.00	--	.52
Tobacco	--	--	--	--	--	--
Cotton	--	.32	--	.08	--	.29
Sugar Cane	--	.27	--	.22	--	.25
Basic Grains	--	.18	--	.38	--	--
Rice	--	.19	--	.39	--	.25
Corn	--	.18	--	.42	--	.24
Beans	--	.15	--	.13	--	.14
Other Crops	--	.25	--	--	--	--
Livestock	.06	.05	--	--	.06	.05
Other	--	--	--	--	--	--
Poultry	--	--	--	--	--	--
Forestry	--	--	--	--	--	--
Honey	--	--	--	--	--	--
Fishing	--	--	--	--	--	--

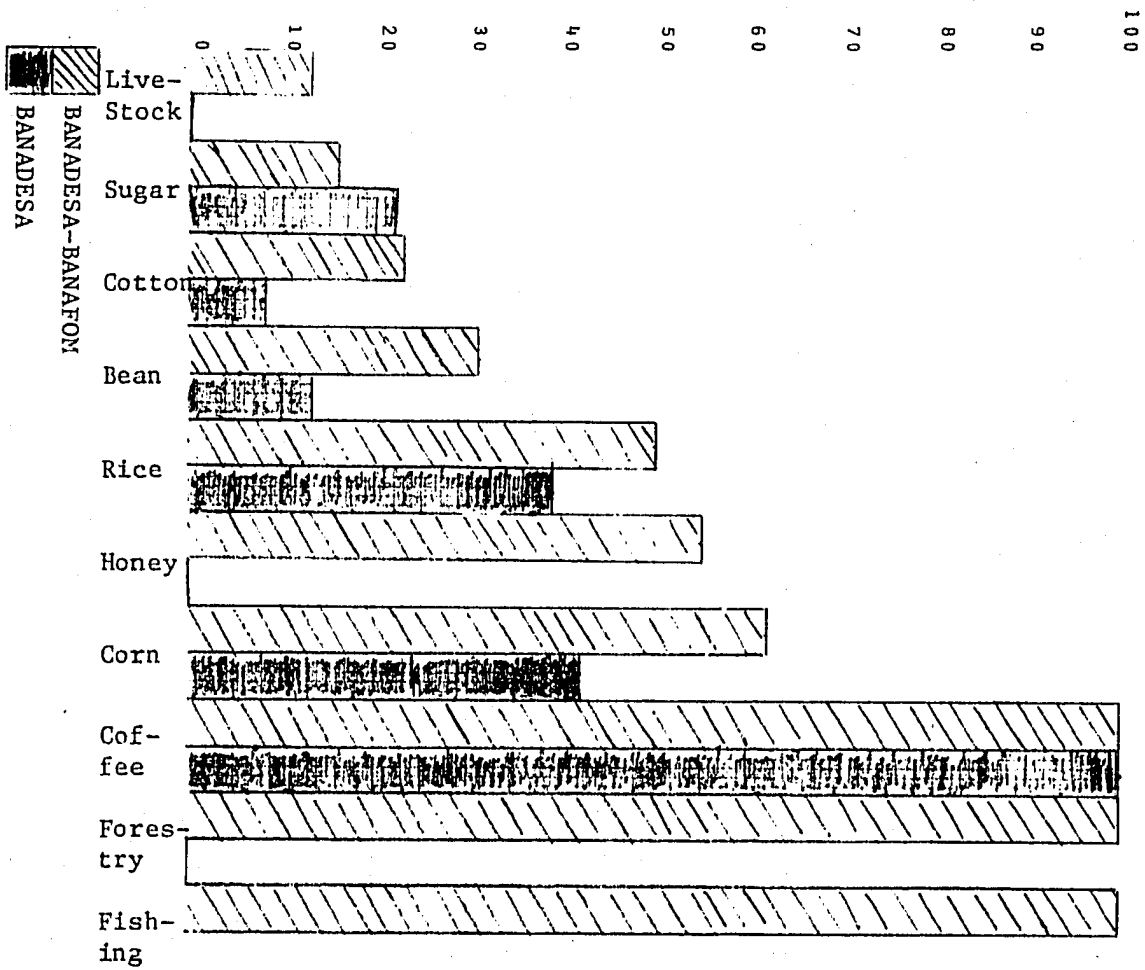
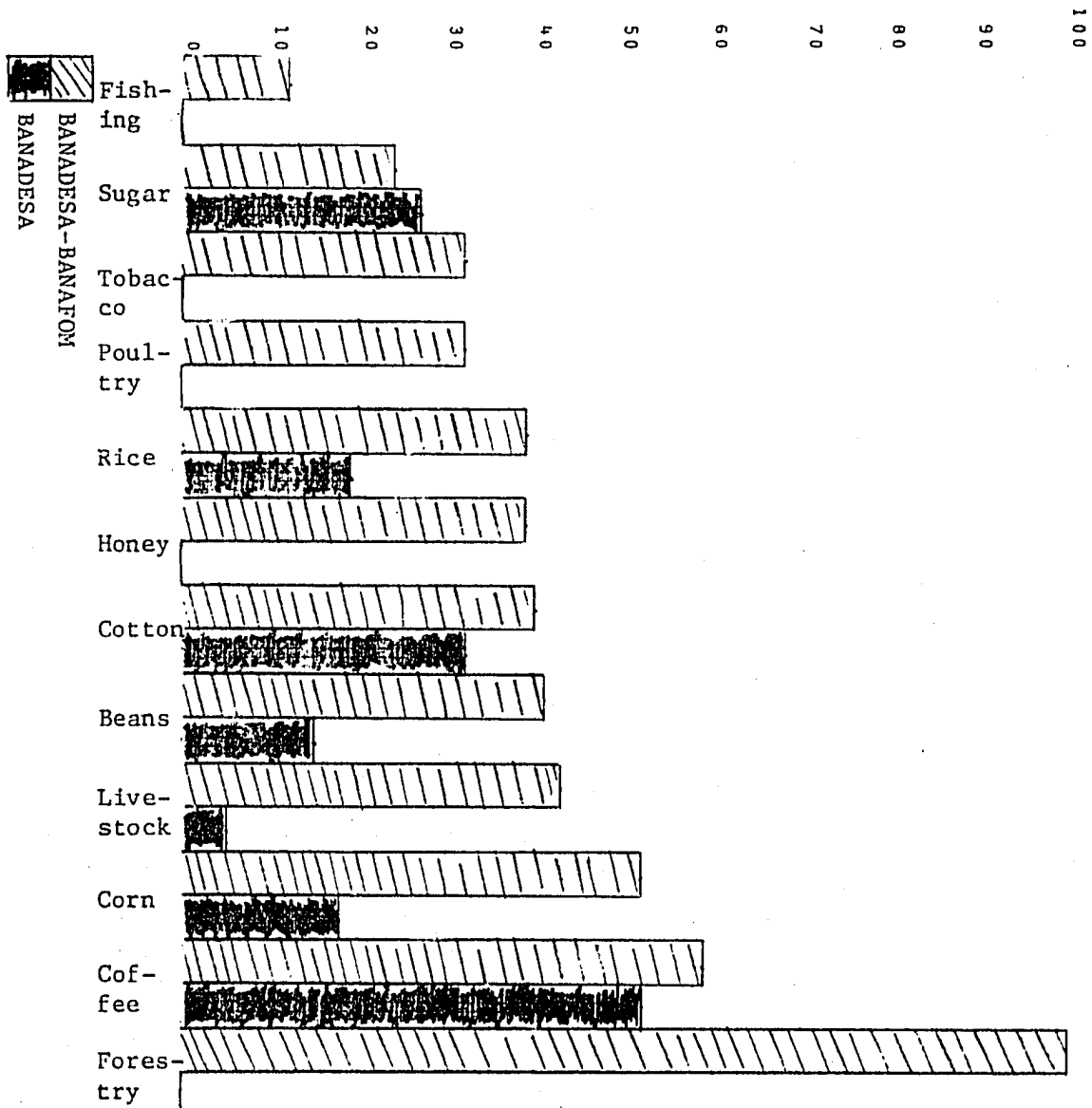
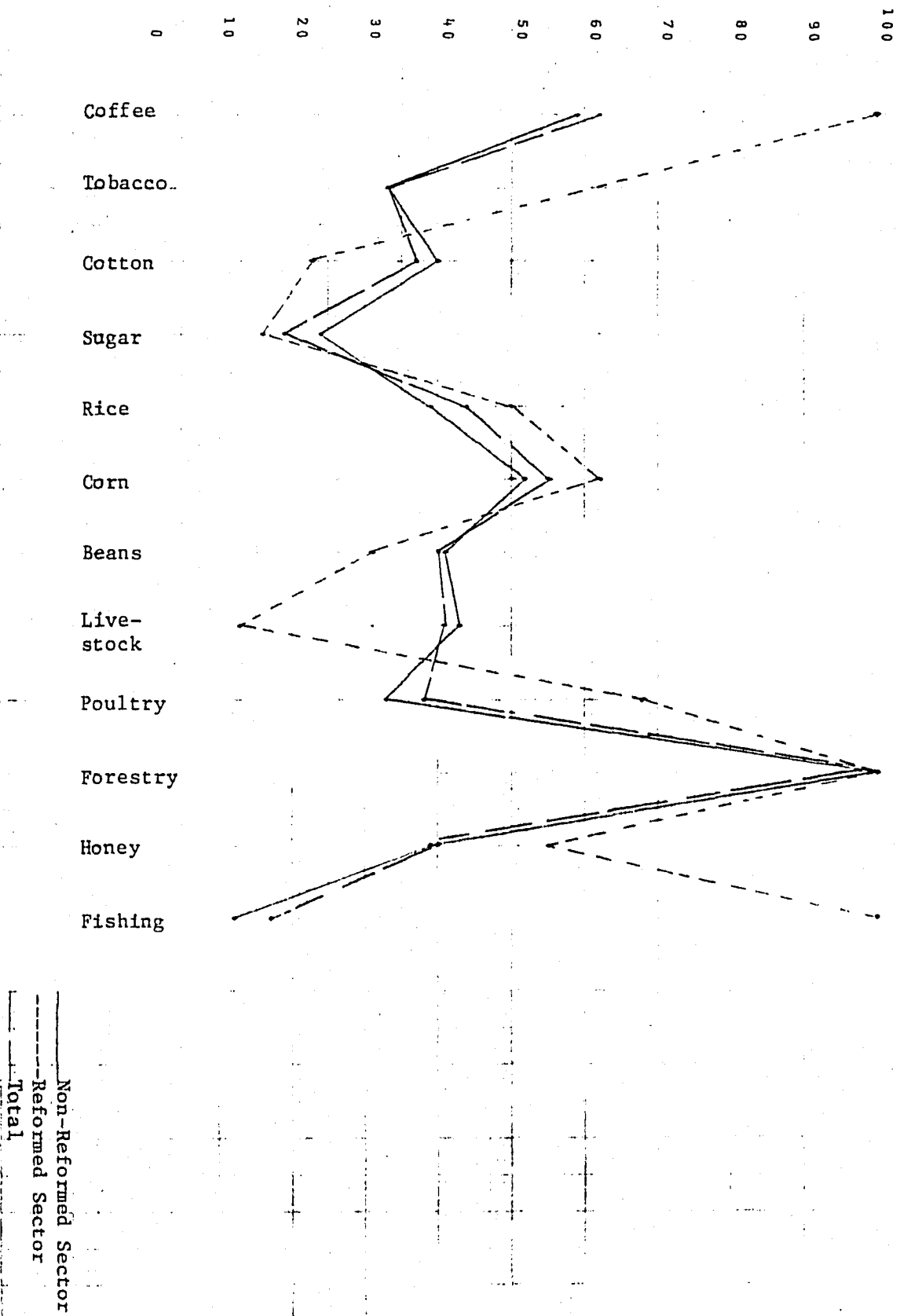


Figure 1. Reformed Sector: Delinquency Ratios by Enterprise Type (Outstanding Balance)

Figure 2. Non-Reformed Sector: Delinquency Ratios by Enterprise Type (Outstanding Balance)





stronger in the non-reform sector when one uses delinquency by outstanding balance .

Enterprise Type

It is now useful to see how this lower delinquency ratio for BANADESA reflects itself through other measures. Tables 7 and 8 and Figures 1, 2 and 3 portray the delinquency ratios for the reform and non-reform clientele by enterprise type under the two institutional frames of reference. For purposes of analysis we shall concentrate on the tabular material.

The historical arrears record in Table 7 (which we shall refer to as BANAFOM since its record dominates the accumulated arrears data up to July 31, 1981), of course, shows a higher delinquency measure overall and higher for most crop types than the BANADESA arrears in Table 8 . Coffee, forestry and fishing record severe delinquency ratios. Historically the reform sector in the BANAFOM portfolio (Table 7) did better in cotton, sugar cane, beans and the other crop activities than the non-reform sector. The latter performed slightly better in the other basic grains (rice and corn) and substantially better in coffee, poultry and fishing loans.

The BANADESA portfolio covering 1980-81 has improved the arrears record across most crops (with only coffee

remaining as a high and relatively unchanged delinquency account). Livestock and other non-crop loans, generally high delinquency areas in the BANAFOM portfolio; are absent in the BANADESA portfolio. This might reflect BANADESA's cautious desire to reduce the risky and high arrears loan activities from the previous portfolio and not engage in new loans in these areas. Regardless of the motive their absence clearly improves the overall arrears record. Finally BANADESA has a markedly improved arrears record in basic grain loans than did BANAFOM. It would be interesting to investigate further the factors that lay behind this apparently improved performance in BANADESA, i.e. whether this is due to a different portfolio selection for financing, better customer evaluation within portfolios, different evaluation and/or monitoring procedures, etc... Additional studies are necessary to analyze these features.

A final contrast in the BANADESA data (Table 8) shows that the individual clientele (the non-reform sector) have a better arrears record than the reform sector for rice and corn loans thereby giving this sector a much better record in basic grains loans as a whole. The reform sector, on the other hand, performed better with cotton and sugar cane loans. Coffee is the highest arrears area in both sectors but between the two the non-reform clientele shows a better record. Overall the non-reform sector records the lower delinquency rate, as seen earlier.

Loan Size and Interest Rate Criteria

Loan size criteria give one an idea of the degree to which a poor arrears performance is due to the difficulties of servicing many small loans (and possibly small farmers) or the degree to which larger loans (and larger farmers) are the major causes of poor repayment. In looking at the BANAFOM data in Table 9 several interesting findings are apparent. For the whole portfolio smaller sized loans (below 10,000 or below 5,000 lempiras) have markedly higher delinquency ratios than medium sized or larger sized loans. The functional relationship of arrears ratios to loan size for the total portfolio would appear to be an inverted J function; high arrears for the smallest loan sizes, declining steadily until the very last largest loan size category where it rises slightly again.

An interesting contrast emerges between the reform and non-reform clientele in Table 9. If we focus our attention on the arrears data on outstanding balances (the more relevant measure), we see that in the accumulated historical arrears record for BANAFOM the reform sector generally registers a higher arrears rate for larger loan sizes than for smaller loan sizes. In sharp contrast the individual farmer or non-reform clientele show a much lower set of arrears rates for larger loan sizes and higher arrears for lower loan sizes.

Table 9. BANADESA -- Accumulated Delinquency Ratios by Loan Size, by Type of Borrower (includes BNF Operations).

Loan Size Category	Non-Reformed Sector		Reformed Sector		Total	
	No. of Loans Ratio (%)	Outstanding Balance Ratio (%)	No. of Loans Ratio (%)	Outstanding Balance Ratio (%)	No. of Loans Ratio (%)	Outstanding Balance Ratio (%)
0-200	.98	.99	.18	.12	.97	.98
201-500	.94	.95	.43	.34	.94	.95
501-1,000	.82	.84	.37	.23	.81	.82
1,001-2,500	.66	.70	.59	.47	.66	.69
2,501-5,000	.55	.59	.63	.45	.55	.58
5,001-10,000	.53	.56	.69	.50	.55	.55
10,001-20,000	.46	.46	.61	.34	.50	.42
20,001-50,000	.36	.37	.76	.46	.50	.41
50,001-100,000	.32	.36	.34	.13	.33	.22
100,001-250,000	.39	.45	.58	.34	.46	.40
250,001-500,000	.35	.37	.75	.72	.47	.47
500,001-750,000	.17	.05	.80	.74	.45	.32
1,000,000- +	.25	.19	.71	.83	.55	.49
Total	.70	.45	.57	.40	.69	.44

Table 10. BANADESA -- Delinquency Ratios by Loan Size, by Type of Borrower.
1980-81 Operations.

Loan Size Category	Non-Reformed Sector		Reformed Sector		Total	
	No. of Loans Ratio (%)	Outstanding Balance Ratio (%)	No. of Loans Ratio (%)	Outstanding Balance Ratio (%)	No. of Loans Ratio (%)	Outstanding Balance Ratio (%)
0-200	.57	.69	--	--	.57	.69
201-500	.46	.47	--	--	.46	.47
501-1,000	.38	.40	.17	.03	.38	.40
1,001-2,500	.37	.41	.36	.28	.37	.40
2,501-5,000	.35	.39	.25	.20	.35	.38
5,001-10,000	.38	.42	.37	.31	.37	.39
10,001-20,000	.30	.33	.43	.33	.32	.33
20,001-50,000	.18	.22	.31	.26	.22	.23
50,001-100,000	.14	.15	.26	.20	.19	.17
100,001-250,000	.18	.21	.17	.18	.17	.20
250,001-500,000	.17	.25	.25	.25	.21	.25
500,001-750,000	.25	.09	.60	.76	.44	.42
1,000,000- +	.33	.25	.67	.65	.50	.39
Total	.36	.30	.29	.35	.35	.31

Figure 4. Reformed Sector: Delinquency Ratios by Loan Size
(Outstanding Balance)

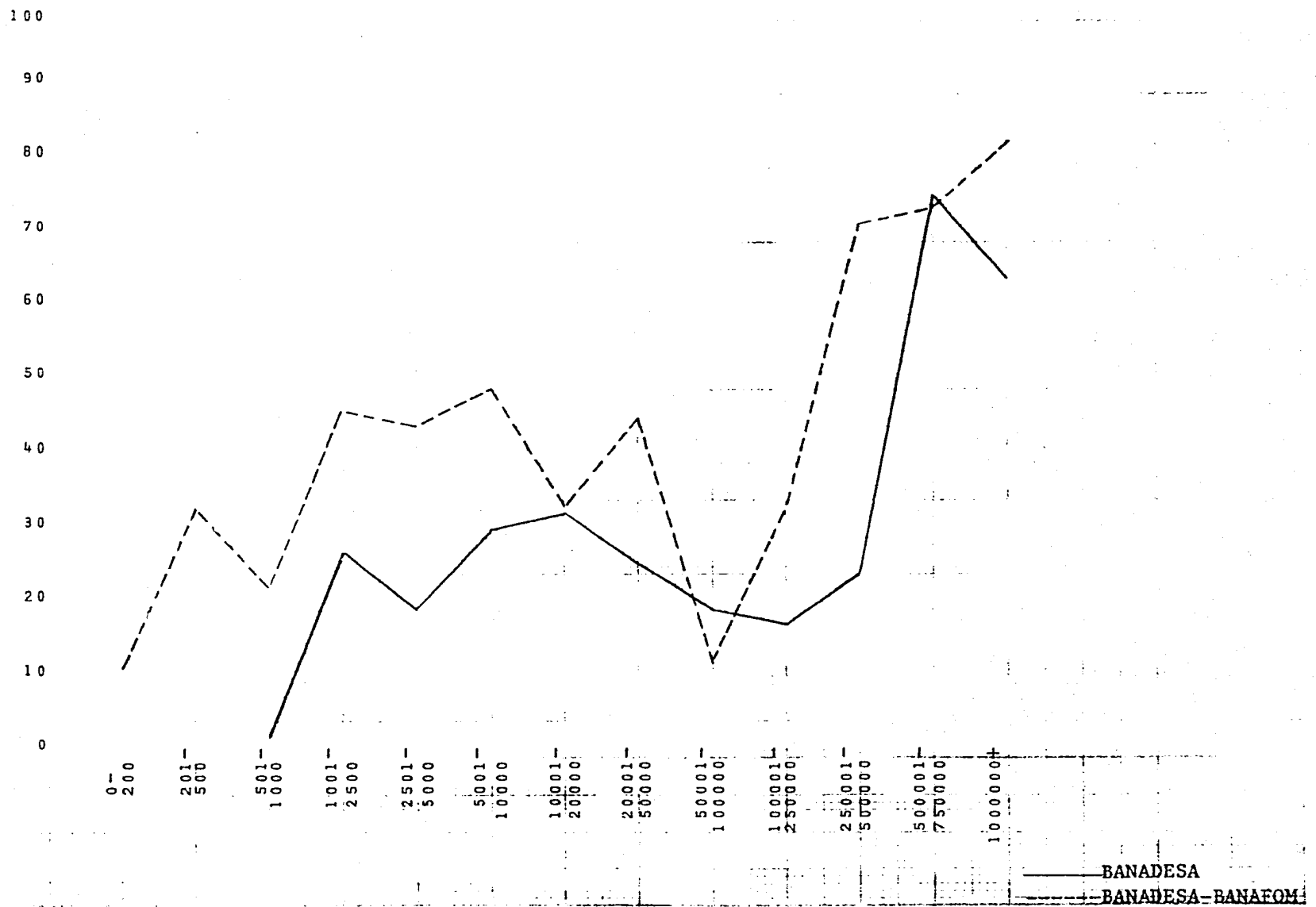


Figure 5. Non-Reformed Sector: Delinquency Ratios by Loan Size
(Outstanding Balance)

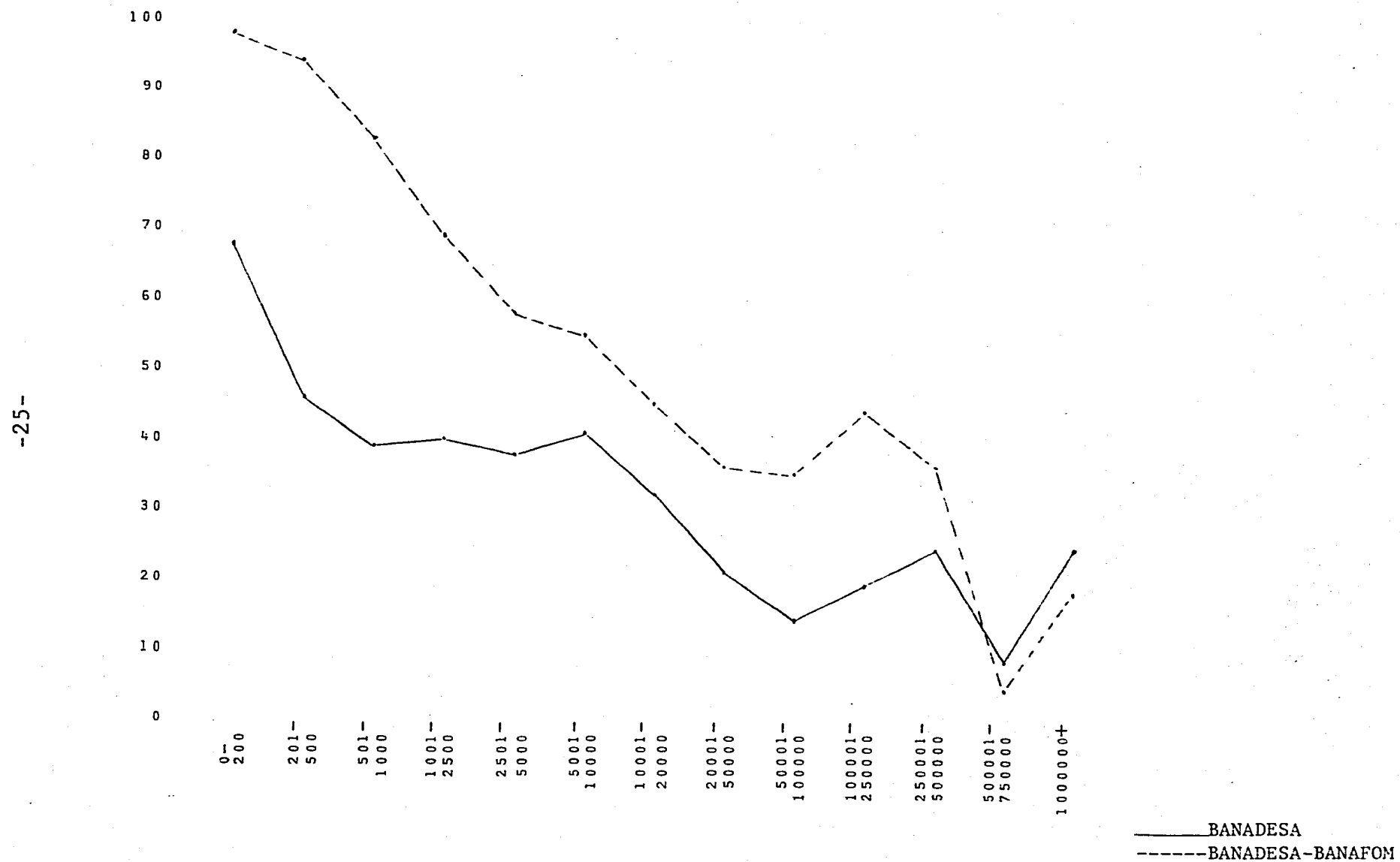


Figure 6. Banadesa-Banafom: Delinquency Ratios by Loan Size
(Outstanding Balance)

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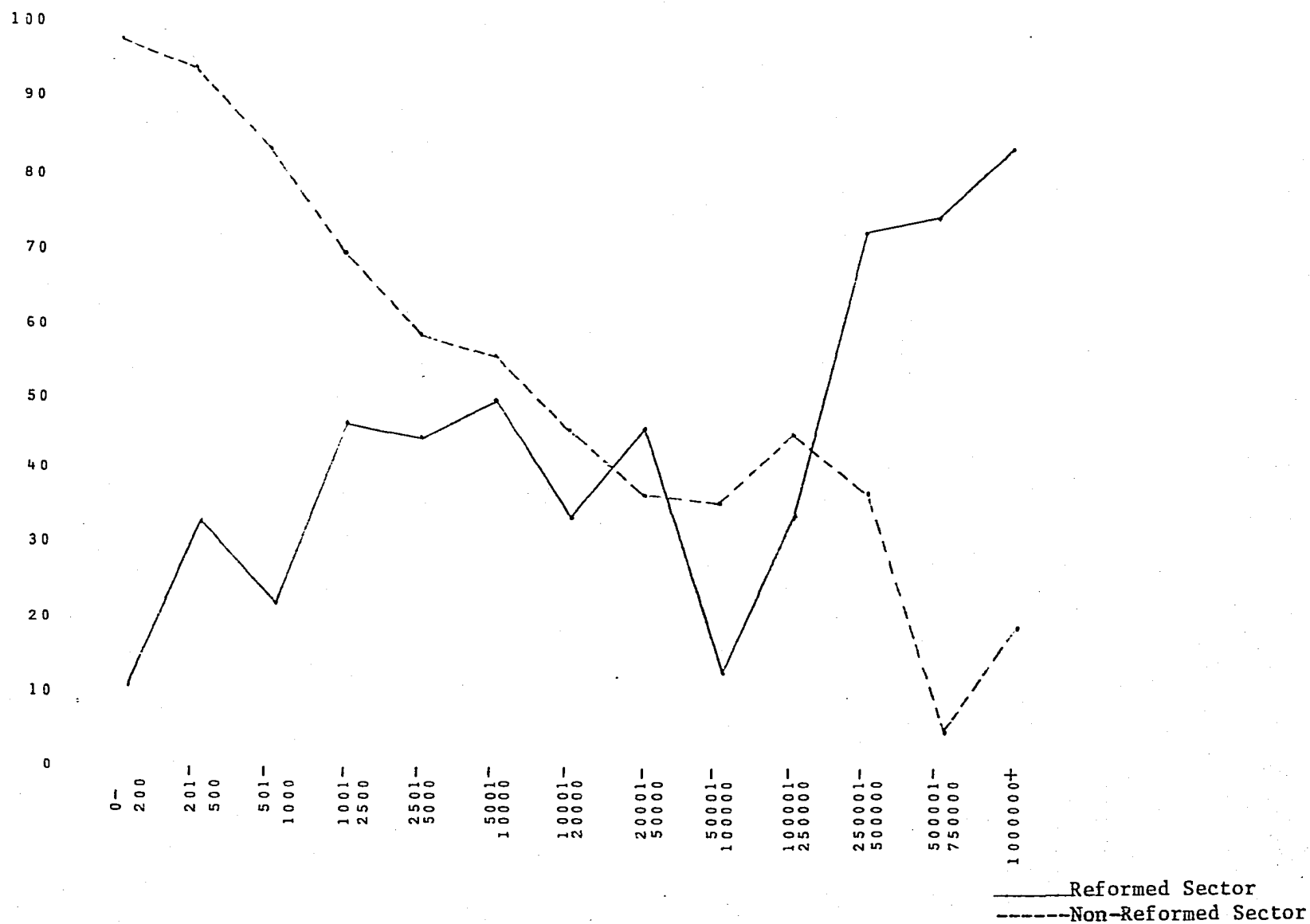
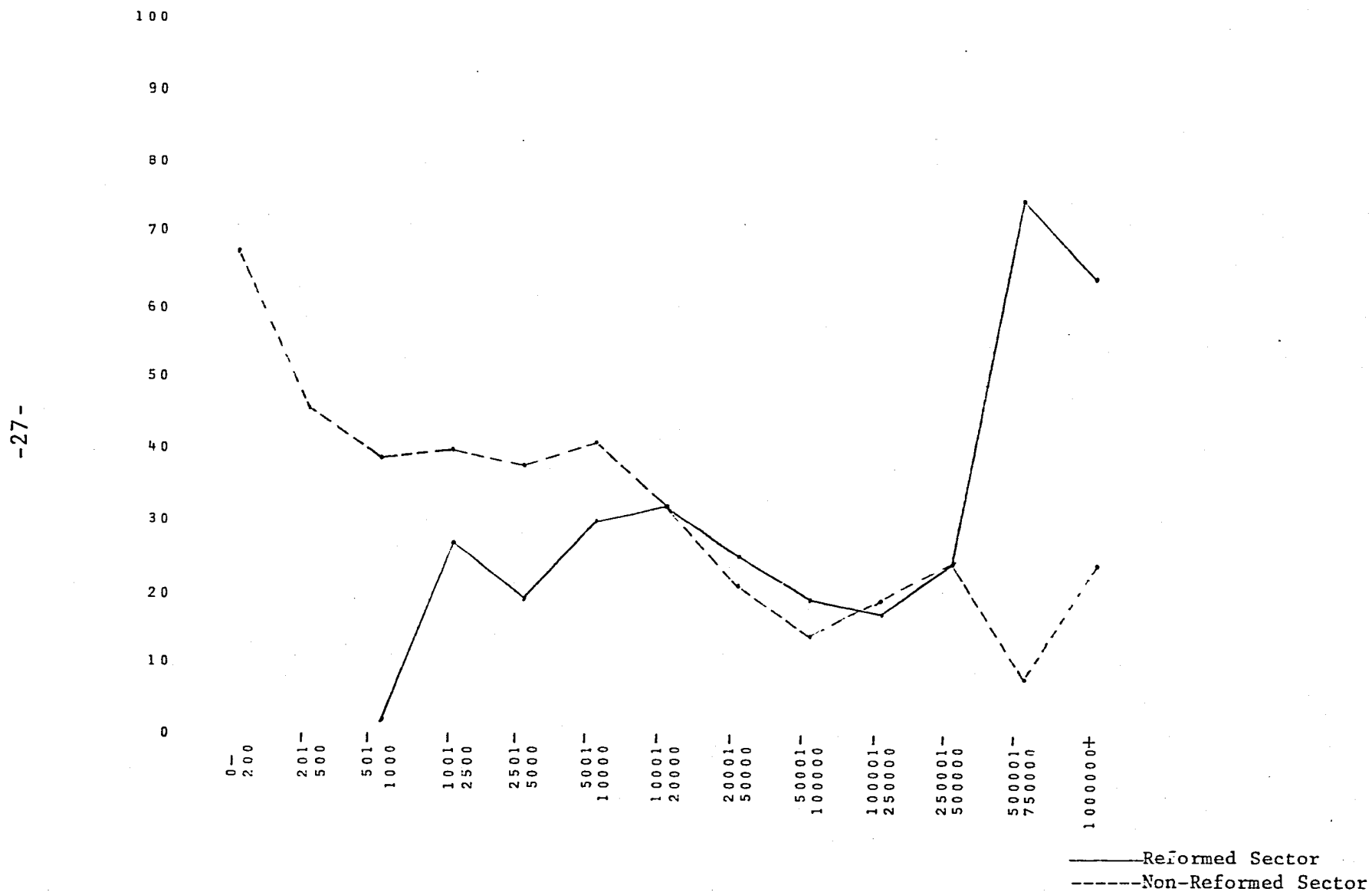


Figure 7. Banadesa: Delinquency Ratios By Loan Size
(Outstanding Balance)



The data for the BANADESA portfolio 1980-81 repeats the same arrears pattern for the current loan operations; (1) an inverted J function for the total portfolio; (2) a rising function for increasing loan sizes for the reform sector, and; (3) essentially a declining function (if we ignore the largest loan size) for increasing loan sizes for the non-reform sector. These patterns are traced out in Figures 4,5,6 and 7 where these functional relationships of loan sizes and arrears rates are graphed for easy visual reference.

Several questions emerge from these findings. First, an important contribution to the total arrears rate in the current agricultural portfolio in BANADESA is due to the behavior of a relatively small number of reform groups with very large delinquent loans. Who are these groups? What crop or enterprise characterizes their activity? What factors have influenced or conditioned their delinquent status? What are the chances for loan recovery and what strategy (including other government agency actions) should be undertaken to deal with these?

At the very least, considering the small number of clients involved (perhaps no more than 8 to 10), detailed case studies of these clients are called for along the lines suggested above. In short, delinquencies of this magnitude (that very likely account for 13 to 20 percent of total delinquency) associated with such a

limited number of large loan customers should not go unstudied and unreported to the interested public at large. Too much is at stake in terms of institutional viability and the social costs of implicit subsidies and income transfers are too high to be ignored. Failure to properly analyze and explain these cases creates an unfavorable image for the institution.

Secondly, insights into the factors associated with delinquent ratios for small loan sizes are also called for given the importance of this group in the total arrears picture for the non-reform sector. Given the large number of farmer-clients that make up this group (say those with loan sizes below 10,000 lempiras) a careful statistical analysis is suggested. One could first slice out the specific enterprise type delinquency behavior for all loans below this threshold. At the same time regional disaggregation by the same loan size group by enterprise type would allow one a more accurate insight into the regional and crop or livestock specific nature of the delinquency. Finally separating out the term structure features for this group adds an additional dimension. In the end one could get the enterprise type and term structure characteristics for all delinquent farm loans below 10,000 lempiras in specified regions. With this evidence in hand the bank could pinpoint better the factors associated with their small loan delinquency problem and undertaken measures to correct it.

This kind of "intelligence" information is not only useful for the lender to make better decisions about the risks and costs of lending to future client-types, it can also be useful to other agricultural agencies and programs in the event that real production, pricing or marketing problems are compromising the rate of returns to farming for a large number of selected clients.

The final table in this section illustrates the association between interest rates and delinquency. The question here is whether delinquency is higher for cheaper (i.e. subsidized) loan programs and lower for higher interest rate loans that BANADESA makes with its own money. The reasoning behind this question is that development banks may be more cautious and circumspect in the loans they make with their domestically mobilized deposits (i.e. take the risks and costs of lending into account more carefully) than they are with internationally transferred donor funds.

This could be true for two reasons. The donor may lay on such costly and risky end-use and targeting requirements for the use of their loans that high delinquency results. Or, alternatively, the bank may feel they do not have to have a good repayment record with these foreign program funds since they will always get more money from the donor as long as they can show they met their targeting goals. Regardless of the motive here, one could argue that

at least they will be more careful with the loans they make from their own funds.

The data in Table 11 and the graph in Figure 8 can be interpreted to support this hypothesis (though perhaps not as strongly as one would have liked). The delinquency ratios for recent loans in the 16 to 19 percent interest rate range are lower than those associated with the foreign donor program loans issued at concessionary interest rates from 11 to 14 percent. To the extent that this is a fair characterization of BANADESA's delinquency record vis-a-vis interest rates, it implies that the institution apparently has the capacity to improve its arrears situation when it is free to charge the going market rate of interest and is not hamstrung by the targeting criteria which generates high risks and costs in the underpriced foreign program loans.

II. Loan Recovery Issues

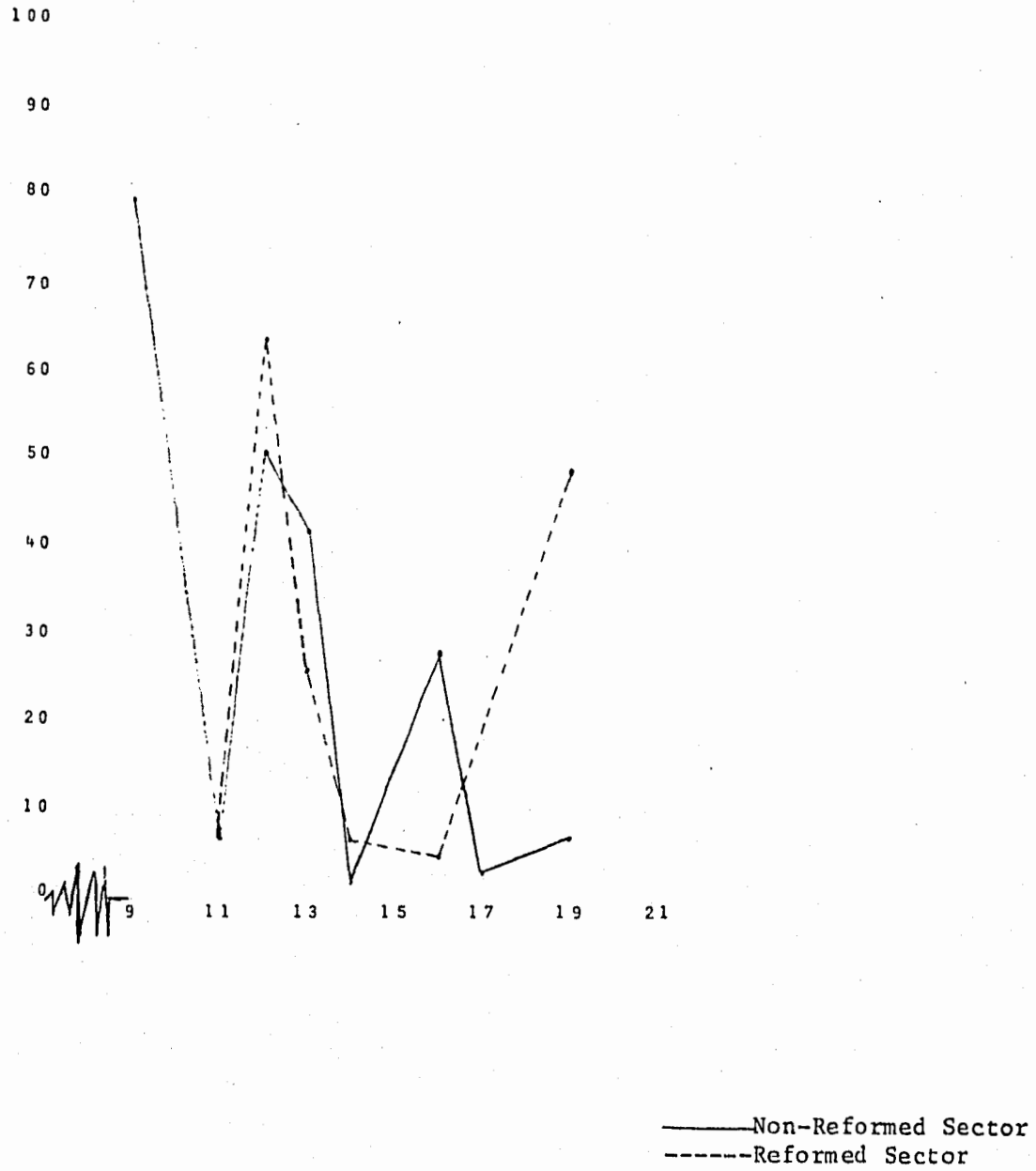
Having seen the uncomfortably high delinquency profile, it is now pertinent to look into what BANAFOM (prior to 1980) and BANADESA (in the present) may be doing to correct this problem or, indeed, if anything can be done to correct the problem. Two studies have already addressed this problem recently, one by Coopers and Lybrand in 1979 and the other by Mendieta Fortin

Table 11. BANADESA -- Delinquency Ratios by Interest Rate, by Type of Borrower.
1980-81 Operations.

Interest Rate (%)	Non-Reformed Sector		Reformed Sector		Total	
	No. of Loans Ratio (%)	Outstanding Balance Ratio (%)	No. of Loans Ratio (%)	Outstanding Balance Ratio (%)	No. of Loans Ratio (%)	Outstanding Balance Ratio (%)
3.00	--	--	--	--	--	--
6.00	--	--	--	--	--	--
9.00	.50	.80	--	--	.50	.80
11.00	.16	.07	.14	.07	.15	.07
12.00	.78	.51	.73	.64	.78	.54
13.00	.33	.42	.28	.26	.32	.39
14.00	.02	.02	.10	.07	.03	.02
15.00	--	--	--	--	--	--
16.00	.60	.28	.17	.05	.57	.25
17.00	.01	.03	--	--	.01	.03
19.00	.32	.07	.10	.49	.30	.22
Total	.35	.30	.29	.35	.35	.31

Figure 8

BANADESA: Delinquency Ratios by Interest Rates
by Outstanding Balances



Lagos y Asociados in 1980. The following discussion will be based largely on those findings with which we have no reason to disagree.

Table 12 gives a review of the loan guarantees asked by BANADESA over the past 10 years. It is clear that much of the portfolio of loans has not been secured by firm collateral such as mortgages. Also it is clear that the modest element of mortgage security at the beginning of the decade (29 - 31 percent of the portfolio) rapidly declined to relative insignificance. Fiduciary co-signers and personal property guarantees took its place.

This is unfortunate since both are very weak guarantees. Fiduciary trustees, especially when they are government bodies or agencies are notoriously poor guarantors. BANADESA has suffered from this through the failure of IHCAFE and INA to honor the delinquency of clients they no doubt pressured BANADESA to service.

At the other end of the spectrum are all the guarantees under "prendas", i.e., personal or attachable property of some sort such as crops, equipment, inventories, etc..... These also are difficult to collect especially if they are quickly perishable (or easily sold as a crop marketed through a dispersed non-centralized marketing channel). Unfortunately many of BANADESA's loan guarantees fall into this category. Finally, for those non-perishable items that could be attached

TABLE 12
CHANGING FORM OF GUARANTEES FOR NEW LOANS IN
BANADESA PORTFOLIO
1970 - 1980

Year	Personal Property Crop Inventories Equipment, etc.	Mortgage Security	Fiduciary Co-Signers	Total
1970	65.0	29.0	6.0	100
1971	61.6	31.9	6.5	100
1972	77.3	19.4	3.3	100
1973	75.9	19.9	4.2	100
1974	78.3	11.4	10.3	100
1975	84.7	11.2	4.1	100
1976	88.5	8.2	3.3	100
1977	88.6	9.0	2.4	100
1978	85.4	3.6	11.0	100
1979	86.2	5.0	8.8	100
1980	77.6	6.6	15.8	100

Source: BANADESA files

lengthy and costly legal proceedings are required.

Several features stand out here in BANADESA's situation. First it would appear that long delays ensue from the time a client is in arrears until some preliminary action is taken. Second the local assessor in the branch agency is often not informed that written instructions to declare delinquency proceedings have been sent to the client. He is thus unable to go out and prevent the client from disposing of attachable security under the loan. Finally it is apparent that BANADESA has only brought about five percent of its current arrears cases to court.

The foregoing suggest deficient delinquency and default procedures and either no faith in or no interest in using the courts to prosecute delinquent clients. To the extent that some of the delinquent portfolio is recoverable, rules must be made to determine a feasible strategy here. Very old delinquency is not easily collected; one should concentrate on non perishable collateral of fairly recent terms, etc.... The Mendieta Fortin Lagos report addresses these issues with some helpful suggestions.

In closing this section on loan recovery problems, it is important to emphasize the fact that despite the growing importance of arrears

in its portfolio, BANADESA officials have not undertaken any serious analysis of the apparent causes of this delinquency. An institution whose livelihood depends on good loan recovery performance would clearly want to undertake this kind of analysis. Only outside teams or consultants have drawn together this delinquency data to get an understanding of its association with other variables or client characteristics. Clearly the institutions accounting and statistical gathering network should be reorganized to produce quick, consistent, monthly or quarterly reports on recent delinquency by farm size, loan size, crop-type, region (or agency), etc.... This information should be fed into the decision making machinery of the institution at both the branch and central office so that loan decisions can take into account the current record of risks apparent in the appropriately designed delinquency tables growing out of past loans (say the last two years). Such an effort would also require a much more accurate definition of delinquency than that currently in use by the bank.

The fact that no effort has been undertaken to deal with the statistical basis of determining the proximate causes of delinquency leads one to suspect that there may be no incentive to do so or they would have done it long ago. It would appear the institution can

still get funding (albeit with more difficult and time consuming negotiations) in spite of rising delinquency. International donors and the local government appear to have given other objectives much higher priority than evidence of efforts to reduce delinquency.

In all fairness to the officials of BANADESA political pressure from outside the institution to make unsound loans may have played some role in weakening the portfolio. Frequent shifts in the institution's leadership and branch managers from one political administration to another following elections, can interfere with attempts to instill a disciplined accountability among the staff. It is unlikely that the delinquency problem can be tackled successfully in the long run unless a relatively autonomous leadership and competent staff can be kept in place long enough to do its job and, at the same time, rewarded (with promotion or higher pay) or punished (i.e., fired, reassigned, given lower or no pay increases, etc.) for important decisions that add to or reduce the viability of the portfolio. The fact that BANADESA's recent delinquency record is an apparent improvement over that of BANAFOM is encouraging. Still much more work is needed to lower the arrears even further. To the extent that the current BANADESA administration continues its efforts toward improving its loan administration and delinquency record, other government bodies should support this effort by lessening the pressure for unsound loans, stop forcing the institution to follow costly interest rate procedures to serve high risk customers and introduce more flexible interest rate policies to allow the institution to cover its costs more satisfactorily.

III. Lending Costs and Policy Implications

This section reviews the available evidence on lending costs compiled by the Coopers and Lybrand study, supplemented by informal observations by our-field teams.

In reference to lending costs, analysis should determine the changing relative importance of loan evaluation and approval costs, administrative monitoring and credit supervision costs, and, finally, loan collection costs. The existing studies on BANADESA's lending costs have not undertaken an analysis within this framework. Thus, additional analysis documenting the above features should complement and extend the Coopers and Lybrand study of 1979. This analysis should point out critical areas of apparent misallocation of administrative resources and opportunities for cost economies. Nevertheless, for the present, the Coopers and Lybrand work and field observation allow us to identify and discuss some of the more visible problem areas.

Table 13 presents a historical perspective on the growing level of average risk costs per borrower for BANADESA from 1972 through 1978. Unit costs have risen 2.5 times in six years while average risk costs rose by a much higher magnitude. Both of these figures are high by any standards. It is instructive to note from Table 13 that the number of borrowers have been declining from the highs of 1974-75 but the operational costs have been rising in spite of that fact.

TABLE 13
OPERATIONAL AND RISK COSTS PER BORROWER -
BANADESA - 1972-78

	No. of Borrowers	Operational Costs (L,000) ¹	Unit Costs (L)	Provision for Bad Debt	Risk Costs per/Borrower
1978	14,000 (est)	9,784	699 L.	7,245	518 L.
1977	13,200	8,351	633	3,211	243
1976	16,500	8,167	495	8,844	536
1975	28,600	6,257	219	2,600	91
1974	19,500	5,727	294	38	2
1973	16,200	4,323	267	1,206	74
1972	14,000	3,804	272	1,626	116

(1) These are strictly operational costs and exclude financial costs and bad debt costs.

Source: BNF Division Tecnica; reproduced in Credito Agropecuario: Diagnostico y Recomendaciones, Coopers and Lybrand et al. Tegucigalpa, 1979, p. 44.

Ordinarily one would expect operational costs to decline as the number of customers decline. This reflects several factors: (1) the number of loans per customer may be rising; (2) the rise in inflation from the mid-1970's probably caused operational costs to rise, and; (3) there is probably a built in element of fixed costs (i.e., the inability to dismiss personnel or reduce costs quickly in a public sector institution) that prevents the institution from scaling back its costs when its business declines. This growing "idle capacity" or excess staff, etc. causes unit costs to rise as loan demand or the available supply of funds declines. The rise in the provision for bad debt with its commensurate rise in risk costs per borrower is, of course, reflecting the rise in delinquency discussed in detail in the earlier section.

The report also underlines the fact that this high cost scenario is unusually severe among the smaller branches. Of the 28 branches (divided into 2 very large, 6 large, 11 medium sized and 9 small branches), the 8 largest were allegedly able to cover their direct and indirect costs (i.e., these costs fell within the Gross profit margin associated with these agencies). Only 20 percent of the medium sized branches and none of the small branches were able to cover these costs. Of course, practically all branches (except for one medium sized branch) were unable to also cover their capital losses associated with bad debt.

Additional work by the Coopers and Lybrand team uncovered the involved procedures associated with the act of soliciting and securing a loan in BANADESA. In brief they can be summarized as follows:

1. Soliciting, review and approval stages-----	21 steps
2. Disbursement, routine administration and control-----	14 steps
3. Loan recovery-----	<u>35 steps</u>
TOTAL	70 steps

The report indicates that while there are some minor variations according to different loan characteristics, essentially, the same procedures are followed for all loans. These findings lead to several conclusions:

- 1) There are clearly too many steps or processes involved here which add substantially to lending costs.
- 2) The large variety of forms, instructions and procedures frequently lead to errors, misclassifications and misleading statistical tabulations.
- 3) Given the limited training of many of the field personnel filling out the forms, the problems mentioned in number (2) above are exacerbated.
- 4) Given the high and growing delinquency or arrears rate discussed earlier, it is clear that rising operational costs are doing nothing to stem the rise in arrears.
- 5) These procedures do not vary (as they should) to reflect variations in the seasonality, task, or activity being financed, They are all formalized and centralized into a uniform procedure.

- 6) Most importantly, the procedures do not vary according to size of loan, type of crop, marketing channels, etc.-in short, no allowance is made in the procedures to deal with loans with widely different degrees of risk.

The main thrust and focus of these procedures emphasize internal communication within the bank more than contact and communication with the client. There are a lot of front end costs here in the form of detailed farm plans and monitoring costs to attempt to verify loan use activity and very little follow on costs (in actual practice) for loan recovery. In this sense it is difficult to take the 35 steps associated with loan recovery seriously if many of these steps are associated with judicial steps which are in fact rarely resorted to. Similarly, the internal steps for loan recovery, i.e., letter announcing delinquency with long delays (in practice), etc. - more often than not insure that the farmer disposes of whatever attachable assets (i.e., prendas) might be involved in future proceedings.

In summarizing these issues we can say with some degree of confidence that lending costs in BANADESA are high and growing in recent years (i.e., up to 1979 since information for 1980-81 is not available). Furthermore, these costs do not appear to play any role in slowing down the growth in arrears over the same time period. The degree to which the procedures and processes that create these growing costs are "forced" on BANADESA by regulations imposed by outside entities such as international agencies and the Central Bank and the degree

to which they are largely internally generated (i.e., poor management) remains to be documented. Our understanding here is that both elements are contributing to this state of affairs and changes are required within both areas.

Policy Implications

Three major changes are needed to deal with the problems of lending costs and delinquency. First, BANADESA should be allowed to charge higher interest rates than the current regulations from international donors and the Central Bank permit. This will allow them to earn higher gross returns from their lending operations and cover more of their costs than they are currently doing. Secondly, at the same time, a concerted effort must be made to lower lending costs. In particular, discussions should be opened with the relevant loan source agencies and the Central Bank to remove most and perhaps all of the end use requirements associated with crop type. This would eliminate much of the front end farm plan and monitoring costs associated with these current requirements. More attention should be given to loan recovery efforts (that are effective) and technical assistance at the farm level where appropriate. Also operational costs should vary according to risk, i.e. putting more resources into evaluating larger and/or riskier loans with more careful procedures and smaller and/or less riskier loans with only routine procedures. Third, and finally, the current statistical information and reporting system should

be redesigned in such a way as to report regularly (say every month or possibly every quarter) the arrears status on new loans granted in the last one to two years. Furthermore, it should disaggregate these arrears by agency (to take regional characteristics into account), by crop type, by farm size and loan size in the reform and non-reform sectors in agriculture and non-agriculture respectively.

At the same time the arrears measures should be restructured so as to truly reflect arrears, that is, arrears on current installments of outstanding long term loans. The current practice of only reporting a loan as being in arrears only after the last installment has fallen due unpaid is both misleading and counterproductive in tackling this problem.

With this kind of information in hand on a regular and systematic basis and, moreover, distributed regularly to the relevant loan officers in the branches, the institution should be able to evaluate the current risks and probabilities of delinquency by region, crop type, farm and loan size, for reform and non-reform clients. This should be useful information to consider in making new loans in their region (as well alerting the branch more quickly on potential problem areas in long term loans that are currently running into delinquency).

STUDIES IN RURAL FINANCE



AGRICULTURAL FINANCE PROGRAM



Department of Agricultural Economics and Rural Sociology

THE OHIO STATE UNIVERSITY
COLUMBUS, OHIO
43210

AN ASSESSMENT OF RURAL FINANCIAL
MARKETS IN HONDURAS

VOLUME 2

(A Final Report to the USAID Mission - Agricultural
Development Office - Tegucigalpa, Honduras)
December 1981

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VI

BORROWING COSTS AND FORMAL AND INFORMAL CREDIT
ACTIVITY AT THE FARM HOUSEHOLD LEVEL

Carlos Cuevas
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VI

Borrowing Costs and Formal and Informal Credit Activity at The Farm Household Level: Survey Results

1. Introduction

A field survey was undertaken during August, 1981 in order to document and characterize the behavior and common procedures followed by farmers of different types when engaging in financial activities.

The specific objectives of the survey may be summarized as follows:

- 1) Assess the nature and dimension of the transaction costs associated with borrowing from institutional as well as non-institutional informal sources.
- 2) Document the extent to which borrowers from institutions receive complementary loans from non-institutional sources.
- 3) Characterize the main features of the eventual role of farmers as informal lenders in the rural setting.

With the foregoing purposes, a set of three questionnaires was utilized over a sample of 240 individual farmers and 40 reformed groups.

The survey covered the whole range of financial institutions dealing with the agricultural sector in the country, namely the agricultural development bank (BANADESA), the commercial (private) banks, and the rural credit unions. In all these institutions a sample was drawn at the local branches corresponding to the four regions in which the field work was undertaken: South (Department of Choluteca), East (Department of Olancho), North (Departments of Cortés and Santa Bárbara), and West (Department of Copán).

A summary of the institutional coverage in terms of the clientele interviewed is as follows:

- BANADESA: 80 individual farmers
40 reformed groups
- Private Banks: 80 individual clients
- Rural Credit Unions: 80 members

One half of the members of the rural credit unions were selected among those not receiving loans in the last year. A special questionnaire was utilized with them in order to obtain additional insights into the transaction costs involved in non-institutional credit operations.

The quality of the information gathered can be considered excellent. The cooperation from the following institutions was outstanding: BANADESA, Banco Atlántida, Banco Sogerin, Banco de Occidente, Cooperativas de Ahorro y Crédito San Andrés de Orocuina, San Francisco de la Paz, Pinalejo, and Corquín. An unusually competent survey team guaranteed the quality of the data collected.

The following sections deal with the results obtained from the survey. These results are based on a total of 234 interviews to individual farmers, of which 104 had loans from BANADESA, 52 had loans from private banks, 42 had received credit from credit unions, and 36 were credit union members without loans from any formal source. Section 2 presents and discusses the findings with respect to formal credit operations between lending institutions and farmers. The third section concentrates on the characteristics of informal credit activities undertaken by farmers.

2. Borrowing Costs in Formal Financial Institutions.

This section discusses the results obtained in the survey as regards the costs incurred by farmers when borrowing from institutional sources. The discussion is aimed at identifying and assessing the behavior of those costs and their relationship with three main variables namely: the specific source of the loan, the loan size, and the farm size of the loan recipient unit. The section is organized accordingly, starting with a brief description of the sample in terms of these three variables. Transaction and borrowing costs are then summarily defined before presenting and analyzing the survey results in this area.

2.1. General Characteristics of the Sample.

The loan size distribution observed for the overall sample, as well as for the different loan sources is presented in Table 1, along with two basic statistics for each loan size class and source: the arithmetic mean and the median value.

Table 1. Loan Size Distribution by Source of Loan.

Loan Size Category (Lps.)	Loan Source											
	BANADESA			Private Banks			Credit Unions			All Sources		
	Pct. of Loans	Mean Value Lps.	Median Value Lps.	Pct. of Loans	Mean Value Lps.	Median Value Lps.	Pct. of Loans	Mean Value Lps.	Median Value Lps.	Pct. of Loans	Mean Value	Median Value
Less than 1,000	9.62	830	900	0.0	--	--	30.95	538	480	11.62	665	600
1,001 - 2,000	31.73	1,610	1,700	3.85	1,350	1,350	28.57	1,505	1,450	23.74	1,572	1,500
2,001 - 5,000	16.35	3,556	4,000	1.92	4,000	4,000	23.81	3,385	3,138	14.14	3,510	3,638
5,001 - 10,000	18.27	6,743	6,400	9.62	9,000	10,000	9.52	7,125	7,000	14.14	7,200	6,800
10,001 - 15,000	6.73	11,547	12,000	3.85	15,000	15,000	2.38	12,000	12,000	5.05	12,285	12,000
15,001 - 25,000	4.81	20,800	22,000	11.54	21,762	22,285	2.38	18,000	18,000	6.06	21,048	21,935
25,001 - 50,000	7.69	34,250	35,500	25.00	40,937	41,540	2.38	40,000	40,000	11.11	38,453	39,500
50,001 - 100,000	3.85	83,925	87,350	30.77	76,759	77,500	0.0	--	--	10.10	78,192	80,000
More than 100,000	0.96	110,000	110,000	13.46	179,379	182,400	0.0	--	--	4.04	170,767	176,200
All Loans	100.0	11,101	4,000	100.0	62,082	47,622	100.0	3,748	1,650	100.0	22,930	5,230

Source: Survey results.

Approximately one half of the total sample corresponds to operations of less than 5,000 lempiras. The average size however is close to 23,000 lempiras denoting a clear rightward skewness of the overall distribution of loans. This is to say, a majority of the operations are concentrated in relatively small loans, with a low proportion of farmers receiving large loans. This asymmetry is observed in all three sources of loans, being more noticeable in BANADESA operations, with 50 percent of its loans below 4,000 lempiras, whereas approximately 4 percent of them were over 50,000 lempiras.

The three sub-populations (loan sources) overlap in terms of their loan size distributions, even though they can be clearly identified in terms of the predominant scope of operations. Credit union loans concentrate below 2,000 lempiras, BANADESA operations are grouped between 1,000 and 10,000 lempiras, while the larger proportion of private-bank loans correspond to operations over 25,000 lempiras.

The loan size distribution is cross-tabulated with the farm size distribution of the recipient units for the three lending sources in Tables 2 through 4. Loan sizes have been grouped differently in this case to allow a more significant number of observations in each cross-classification.

Farm size distributions among credit sources show a pattern similar to that of loan sizes in the sense of

Table 2. Farm Size Distribution of BANADESA Loans, by Loan Size.

Farm Size Category (Has.)	Loan Size Category (Lps.)						Total	
	Less than 5,000		5,001-25,000		More than 25,000			
	Row Pct.	Column Pct.	Row Pct.	Column Pct.	Row Pct.	Column Pct.	Row Pct.	Column Pct.
Less than 5	100.0	23.33	0.0	0.0	0.0	0.0	100	13.46
5.1 - 10	89.47	28.33	10.53	6.45	0.0	0.0	100	18.27
10.1 - 20	80.0	20.0	20.0	9.68	0.0	0.0	100	14.42
20.1 - 50	39.13	15.0	56.52	41.94	4.35	7.69	100	22.12
50.1 - 100	50.0	13.33	25.0	12.90	25.0	30.77	100	15.38
100.1 - 200	0.0	0.0	75.0	19.35	25.0	15.38	100	7.69
More than 200	0.0	0.0	33.33	9.68	66.67	46.15	100	8.65
Total	57.69	100	29.81	100	12.50	100	100	100

Source: Survey results.

Table 3. Farm Size Distribution of Private Banks Loans, by Loan Size

Farm Size Category (Hect.)	Loan Size Category (Lps)						Total	
	Less than 5,000		5,001-25,000		More than 25,000			
	Row Pct.	Column Pct.	Row Pct.	Column Pct.	Row Pct.	Column Pct.	Row Pct.	Column Pct.
Less than 5	50.0	33.33	0.0	0.0	50.0	2.78	100	3.85
5.1 - 10	0.0	0.0	50.0	7.69	50.0	7.69	100	3.85
10.1 - 20	0.0	0.0	33.33	7.69	66.67	5.56	100	5.77
20.1 - 50	0.0	0.0	0.0	0.0	100.0	16.67	100	11.54
50.1 - 100	20.0	66.67	20.0	15.38	60.0	16.67	100	19.23
100.1 - 200	0.0	0.0	50.0	38.46	50.0	13.89	100	19.23
More than 200	0.0	0.0	21.05	30.77	78.95	41.67	100	36.54
Total	5.7	100	25.0	100	69.23	100	100	100

Source: Survey results.

Table 4. Farm Size Distribution of Credit Unions Loans, by Loan Size

Farm Size Category (Has.)	Loan Size Category (Lps.)						Total	
	Less than 5,000		5,001-25,000		More than 25,000			
	Row Pct.	Column Pct.	Row Pct.	Column Pct.	Row Pct.	Column Pct.	Row Pct.	Column Pct.
Less than 5	100.0	37.14	0.0	0.0	0.0	0.0	100	30.95
5.1 - 10	66.67	5.71	33.33	16.67	0.0	0.0	100	7.14
10.1 - 20	100.0	22.86	0.0	0.0	0.0	0.0	100	19.05
20.1 - 50	66.67	22.86	33.33	66.67	0.0	0.0	100	28.57
50.1 - 100	100.0	2.86	0.0	0.0	0.0	0.0	100	2.38
100.1 - 200	100.0	8.57	0.0	0.0	0.0	0.0	100	7.14
More than 200	0.0	0.0	50.0	16.67	50.0	100.0	100	4.76
Total	83.33	100	14.29	100	2.38	100	100	100

Source: Survey results.

overlapping over a wide range, with noticeable differences in terms of the predominant scope of operations. It can be asserted, based on Tables 2, 3 and 4, that while credit union operations concentrate on farms of less than 20 hectares, BANADESA farms fall between 10 and 100 hectares and private banks operate predominantly above the 100 hectares level.

The pattern of association between loan size and farm size is fairly similar between different loan sources. Small loans tend to be directed to smaller farms and even more consistently, large loans appear concentrated in larger farm sizes. However, this relationship is not as strong as might have been expected, a correlation coefficient estimated for the overall sample was close to, but less than 0.5. Observation of Tables 2 through 4 suggest that explanations for this finding are the presence of relatively large loans made to small farms in private bank operations (Table 3), and relatively small loans being granted to some large farms in the credit union cases (Table 4). BANADESA appears to be the source of loans for which the observed association between farm size and loan size fits more closely the expected pattern. It must be recalled that this expected positive relationship is based on the assumption that farm size is a good indicator of farmer's wealth and therefore creditworthiness. This may not necessarily be the case in the Honduras setting.

2.2. Transaction Costs and Borrowing Costs.

Transaction costs are defined here as all those non-interest explicit and implicit expenses incurred by the borrower in the process of obtaining a loan.^{1/} These costs occur at different stages of the sequence of procedures established by the lending institutions, in general: application and documentation, approval, and disbursement. Explicit expenses refer basically to the following:

- (a) Cost of transportation, lodging and meals when travelling to the office of the institution granting the loan, or to other places with the purpose of obtaining documents thereof.
- (b) Fees, taxes or other charges associated with the issuing of documents, registration of guarantees or collateral, contracts and the like.
- (c) Explicit charges imposed by the lending institutions in the process of handling the application.

The implicit transaction costs directly related to the borrowing considered here correspond to the value of the time foregone by the farmer attributable to negotiating and securing his (her) loan. The minimum wage rate (5 lempiras per day)

^{1/} Rigorously speaking, these correspond to "borrowing transaction costs" as distinct from "lending transaction costs". Since this chapter deals only with the borrowers side, the shortest expression is used (transaction costs).

was imputed as a lower-bound estimate of the opportunity cost of time diverted from farming operations. In many cases a higher value could have been imputed to farmer's time, but using a lower limit has the advantage of obtaining a measure of transaction costs that represents a lower boundary as well.

Total borrowing costs are computed as the sum of the interest rate charged on the loan plus the transaction costs expressed on a per lempira basis.

2.2.1. Overall Results.

A summary of the results obtained for the total sample of individual farmers is presented in Table 5. As pointed out before, the distribution of loan amounts (approved) is asymmetric, concentrated around small loan sizes. Likewise, the amounts disbursed as well as the different measures of transaction costs show a similar type of skewness. This common characteristic of the distribution of the variables involved in the analyses makes more appropriate the use of the median values as a basis for discussion, since these will be reflecting more accurately (than the arithmetic mean) the central or typical values of the different variables.

The first thing to note in Table 5 is the relationship between the amount actually disbursed in credit operations and the amount originally approved. The proportion disbursed (76 percent, taking the aggregate figures, or 66 percent

Table 5. Borrowing Costs, Total Sample.

	Mean Value	Median Value
Amount of Loan Approved	22,930.1	5,289.5
Amount Disbursed	17,414.8	3,500
Ratio Disbursed/Approved	0.76	0.66 ^{1/}
Transaction Costs		
(a) per loan (Lps.)	226.88	57.75
(b) per Lempira (%)		
Approved	2.50 ^{2/}	1.26
Disbursed	3.54 ^{3/}	1.82
Interest Rate (%)	13.54	13
Total Borrowing Costs, per Lempira (%)		
Approved	15.95	15.25
Disbursed	16.98	16.11

^{1/}Ratio of the two median values.

^{2/}Average ratio. The ratio of the averages would give 1%.

^{3/}Average ratio. The ratio of the averages would give 1.3%.

Source: Survey results.

considering the ratio of the two median values) seems rather low considering the period of the year in which the survey was carried on. As of August, the first growing season ("primera") is precisely coming to its end, i.e., loans granted for that reason should be completely disbursed. The low proportion of long-term loans in the sample corresponded mainly to operations in 1980, implying that all loans were disbursed. In sum, the observed ratio disbursed/approved should not be attributed to biases in the data collection. Rather, it may be an indication of either or both of the following phenomena:

- First, the influence (guidance, counseling or outright dominance) of the bank official or agent in the determination of the amount of the loan to be applied for an element of the so called "supply-lead finance". The client then follows the official's "advice" when filling out the loan application, but will request disbursements according to his (her) own idea of the level of indebtedness he (she) is willing to undertake. The reason for this being lower (on average) than the amount approved leads to the second explanation.
- Secondly, even though for current standards agricultural credit in the country may appear as "cheap money" for farmers, a less than 100 percent disbursement

rate would be counter-evidence for that assertion. This apparent contradiction suggests that credit conditions may not be as "cheap" when compared with the investment alternatives available to farmers, and that they do not have (in general) efficient ways to re-channel agricultural loans to other more profitable uses. Either the financial system is not well developed at the rural level, or loan monitoring and supervision is active enough to prevent credit diversion. It appears likely both arguments are valid in the case under analysis.

With respect to the figures reported in Table 5 for transaction costs, it is observed that the elements involved in these costs add between 2 or 3 percentage points to the explicit interest rate charged on loans. The behavior of these costs will be thoroughly discussed in the following sections in relation to different characteristics of the loan operation, therefore only one additional comment will be made at this point, relative to what could be called the "new-customer case".

About 11 percent of the farmers interviewed had to devote time and money to gather "basic" documentation (identity card, tax declarations) before even being allowed to fill in a loan application. In these cases, the overall transaction costs per loan increase by 28 percent, due to the number of additional trips to the relevant institutions

or agencies, extra fees, taxes, etc. To the extent that these are costs incurred on a "once-and-for-all" basis, and, as such, not fully imputable to the credit activities of the farmers, their incidence will not be stressed in the subsequent analyses.

2.2.2. Different Lenders.

The borrowing costs associated with different institutional sources of loans are presented in Table 6, broken down by the two basic components of borrowing costs; transaction (non-interest) costs and interest rates.

The lowest transaction costs per loan correspond to those granted by credit unions, where obtaining a loan would typically cost a farmer less than 18 lempiras. This figure rises to 60 lempiras in the case of BANADESA, and even higher for private banks, 136 lempiras. It can be argued that one of these private banks shows extremely high costs (Bank 2) that were associated with large (some long-term) loans, but even the private bank with the lowest costs per loan (Bank 3) is above the level of BANADESA, therefore the rank-order of the three different sources in this respect is still valid.

Private banks become the least expensive source of credit when transaction costs are expressed on a per lempira basis, as well as when total borrowing costs are considered. This is a direct result of the differences in loan size

Table 6. Borrowing Costs in Different Institutional Sources of Credit^{1/}

Source	Transaction Costs			Interest Rate (%)	Total Borrowing Costs	
	Per Loan (Lps.)	Per Lempira (%)			Per Lempira (%)	
		Approved	Disbursed		Approved	Disbursed
BANADESA	60	1.71	2.69	13	15.30	16.57
Private Banks, All	136	0.70	1.01	13	13.54	14.11
Bank 1	105	0.23		13	13.48	
Bank 2	913.38	1.36		11	12.48	
Bank 3	65	0.75		18	18.11	
Credit Unions	17.75	1.43	1.62	12	16.11	16.52

^{1/} All values are median values. Therefore, the median values of total borrowing costs are not necessarily the sum of the median values of the separate transaction costs per lempira plus the median value of the interest rate, as they would be if mean values had been used.

Source: Survey results.

distribution between sources observed in Table 1, already discussed in an earlier section. Overall borrowing costs in BANADESA and credit unions amount to a fairly similar figure, although transaction costs per lempira appear higher in the case of BANADESA.^{1/}

It is interesting and revealing that the bank with higher transaction costs (per loan and per lempira) among private banks (Bank 2) is precisely the one charging the lowest interest rate, which makes it the least expensive source of credit considering the total borrowing costs per lempira. This result suggests that lending institutions tend to substitute implicit charges or obstacles ("rationing" procedures) for explicit interest rates when they are constrained to charge certain specific levels of interest, usually by the source of the funds supporting the credit program. This phenomenon will be discussed in a more general context later.

Transaction costs per lempira are presented (as in every subsequent table) both as a percent of the amount approved and as a percent of the amount disbursed. The former is interpreted as the implicit interest that the lending institution "intended" to charge whereas the latter corresponds to the actual cost incurred by the borrower.

^{1/} A difficulty in working with median values (a better descriptive measure in the present case) is that these are measures of central tendency in a distribution and do not correspond to an algebraic expression (like the arithmetic mean). Therefore the median of total borrowing costs will not necessarily be the result of adding up the median of interest rates plus the median of transaction costs.

2.2.3. Different Loan Sizes.

The behavior of transaction costs and total borrowing costs, by loan size category is shown in Table 7. Several fairly consistent patterns can be observed in this table.

The cost of obtaining a loan increases systematically with the size of loan (excepting for only one "drop" in the 15,000 to 25,000 lempira category). Notwithstanding this behavior, transaction costs per lempira borrowed decrease also fairly consistently as the loan size increases. In other words, the increase in transaction costs per loan occurs at a slower rate than that of the loan size itself. Note that again there appears to be some trade-off between explicit interest rate and implicit charges (transaction costs) such that the behavior of total borrowing costs follows an almost perfectly decreasing order, from smaller loans to large-size loans.

What may appear as a very uniform treatment of all loans, if only the levels of (explicit) interest rates are considered, turns out to be a consistently negative relationship between borrowing costs and loan size, that suggests once more the presence of rationing mechanisms exercised by lending institutions against small loans, conceivably due to their relatively higher costs of handling and monitoring as well as the eventual higher default risk associated with them.

Table 7. Borrowing Costs, by Loan Size^{1/}

Loan Size Category (Lps.)	Transaction Costs			Interest Rate (%)	Total Borrowing Costs	
	Per Loan (Lps.)	Per Lempira (%)			Per Lempira (%)	
		Approved	Disbursed		Approved	Disbursed
Less than 1,000	30.75	5.87	6.0	13	18.92	19.23
1,001 - 2,000	42.0	2.86	4.33	13	16.07	17.73
2,001 - 5,000	44.88	1.18	1.52	13	14.88	15.77
5,001 - 10,000	53.0	0.77	1.13	13	14.03	14.94
10,001 - 15,000	86.75	0.81	1.12	13	14.56	14.87
15,001 - 25,000	42.75	0.20	0.44	13.5	13.89	14.35
25,001 - 50,000	131.50	0.40	0.95	14	14.40	15.71
50,001 - 100,000	322.50	0.42	0.63	13	13.17	13.63
More than 100,000	1,414.50	0.83	1.01	11	12.09	12.36

^{1/} All values are median values. Therefore, the median values of total borrowing costs are not necessarily the sum of the median values of the separate transaction costs per lempira plus the median value of the interest rate, as they would be if mean values had been used.

Source: Survey results.

2.2.4. Different Lenders and Loan Sizes.

The loan size was reclassified into three broader categories to allow a separate analysis by each type of institutional lender, with enough observations in each loan size class. The results obtained by lender and loan size are presented in Tables 8, 9 and 10.

An additional insight into the behavior of transaction and borrowing costs is obtained through the analysis of these three tables. The discussion of Table 6 suggested that private banks were the least expensive source of funds, as measured by the total borrowing costs rate. Tables 8 through 10 indicate an interesting qualification to that earlier finding. Credit unions appear as the cheapest source of small loans (less than 5,000 lempiras) considering the transaction costs per loan as well as the total percentage borrowing costs. These same institutions show the lowest cost per loan in the medium-size category (5,000 to 25,000 lempiras) but percentage-wise the least expensive source is BANADESA in this loan size class. A similar result is observed in the large-size class of loans on which BANADESA imposes the lowest per-loan cost, but total borrowing costs in percent are noticeably lower among private banks.

Whether the observed pattern reflects some degree of specialization in the financial system or differences in relative efficiency is a question that would require further

Table 8. Borrowing Costs in BANADESA, by Loan Size^{1/}

Loan Size Category (Lps.)	Transaction Costs			Interest Rate (%)	Total Borrowing Costs	
	Per Loan (Lps.)	Per Lempira (%)			Per Lempira (%)	
		Approved	Disbursed		Approved	Disbursed
Less than 5,000	52.25	2.93	5.25	13	16.27	18.36
5,001 - 25,000	59.50	0.77	1.17	13	13.91	14.40
More than 25,000	130.50	0.40	0.77	14	14.42	14.44

^{1/} All values are median values. See Footnote 1, Table 7.
Source: Survey results.

Table 9. Borrowing Costs in Private Banks, by Loan Size^{1/}

Loan Size Category (Lps.)	Transaction Costs			Interest Rate (%)	Total Borrowing Costs	
	Per Loan (Lps.)	Per Lempira (%)			Per Lempira (%)	
		Approved	Disbursed		Approved	Disbursed
Less than 5,000	27.50	0.75	0.75	19	19.69	19.69
5,001 - 25,000	75.0	0.70	1.03	14	16.20	17.90
More than 25,000	384.25	0.56	1.18	13	13.17	13.43

^{1/} All values are median values. See Footnote 1, Table 7.
Source: Survey results.

Table 10. Borrowing Costs in Credit Unions, by Loan Size^{1/}

Loan Size Category (Lps.)	Transaction Costs		Interest Rate (%)	Total Borrowing Costs		
	Per Loan (Lps.)	Per Lempira (%)		Per Lempira (%)		
		Approved		Disbursed	Approved	Disbursed
Less than 5,000	21.0	1.70	1.81	12	16.11	16.52
5,000 - 25,000	11.25	0.11	0.11	15	15.53	15.53
More than 25,000 ^{2/}	--	--	--	--	--	--

^{1/} All values are median values. See Footnote 1, Table 7. ^{2/} Only one observation.
Source: Survey results.

research into the subject for a conclusive answer. It appears however, that the different institutions manage the interest rates they charge (usually tied to their different sources of funds) within the feasible range, as well as the implicit charges involved in transaction costs in a way that favor their predominant clientele.

2.2.5. Different Farm Sizes.

It has been already pointed out that the association between loan size and farm size was found significant but relatively low. Therefore, the results as regards transaction and borrowing costs for different loan sizes cannot be applied in a straight forward manner to an equivalent classification by farm sizes.

Table 11 shows that the behavior of transaction and borrowing costs observed with respect to loan size are also apparent and consistent when contrasting the measures obtained for different farm size categories. In this case though, the range of variation is narrower in every respect. Transaction costs per loan increase as farm size increases, the reverse pattern is observed for transaction costs per lempira and for the overall borrowing costs rate. These results suggest that the farm size of the borrowing unit is being considered by banks as an indicator (although imperfect) of creditworthiness, tending to charge implicit risk-premia through transaction costs to smaller-farm operations.

Table 11. Borrowing Costs, by Farm Size^{1/}

Farm Size Category (Has.)	Per Loan (Lps.)	Transaction Costs		Interest Rate (%)	Total Borrowing Costs	
		Per Lempira (%)			Per Lempira (%)	
		Approved	Disbursed		Approved	Disbursed
Less than 5	31.75	2.97	4.31	13	16.0	17.33
5.1 - 10	40.0	2.39	4.68	13	15.07	17.14
10.1 - 20	53.5	1.65	2.68	13	16.20	17.67
20.1 - 50	56.25	1.00	1.74	13	14.64	15.52
50.1 - 100	75.0	0.84	1.97	13	14.84	15.64
100.1 - 200	133.75	1.23	1.68	13.5	16.52	17.52
More than 200	149.25	0.41	0.60	13	13.82	14.02

^{1/} All values are median values. Therefore, the median values of total borrowing costs are not necessarily the sum of the median values of the separate transaction costs per lempira plus the median value of the interest rate, as they would be if mean values had been used.

Source: Survey results.

2.3. Statistical Appraisal and Conclusions.

The preceding sections have discussed the behavior of transaction costs and total borrowing costs associated with three variables of interest from the point of view of the design and evaluation of agricultural credit programs: the specific financial intermediary involved in the operation, the size of the loans granted, and the farm size of the borrowing units. In all three respects, interesting and consistent behavioral patterns have been found. The purpose of this final section is to evaluate briefly the statistical relevance of the observed relationships and attempt to isolate the most important factors influencing the behavior of transaction costs.

Summarizing the results of preceding sections, it has been asserted that:

- (a) transaction costs per loan
 - are positively related to loan size
 - are positively related to farm size
 - differ sharply between sources of credit
- (b) transaction costs per lempira
 - are negatively related to loan size
 - are negatively related to farm size
 - vary considerably between lending institutions and between different loan source-loan size combinations

- (c) lending institutions tend to substitute implicit charges (that translate into transaction costs) for explicit interest, due to the limited discretionary power they have to determine these rates.

Correlation and regression analyses were used to assess the statistical significance of some of the foregoing results. Table 12 summarizes the pair-wise correlation coefficients between the different variables involved (except for the lending institution which is a categorical variable). The estimates presented confirm the consistency of the observed relationships, and prove to be statistically significant. Transaction costs per loan are positively correlated with farm size and amount of the loan, and negatively correlated with the interest rate charged on the loan. Transaction costs per lempira are consistently negatively correlated with farm size, loan size and interest rates.

The level of the estimated correlation coefficients between pairs of variables is rather low, even though highly significant. The use of multiple regression techniques allows the simultaneous consideration of several different effects on the behavior of the level of transaction costs, as well as an appraisal of the impact of eventually different policies of different lending institutions with respect to the implicit changes and procedures that are reflected

Table 12. Correlation Coefficients for Different Pairs of Variables.^{1/}

Variable	Variable			
	Area of the Farm	Loan Amount Approved	Loan Amount Disbursed	Interest Rate
Transaction Costs, Per Loan	0.35	0.63	0.67	-0.14 ^{2/}
Transaction Costs, Per Lempira				
--Approved	-0.21	-0.24	-0.21	-0.15
--Disbursed	-0.24	-0.25	-0.25	-0.14
Area of the Farm	1.0	0.46	0.51	-- ^{3/}

- ^{1/} All coefficients are highly significant (at least 0.01 level) except
^{2/} when otherwise indicated.
^{3/} Significant at 0.05 level.
^{3/} Not significant.

Source: Survey results.

in the measure of transaction costs. The specific institutional effect was handled through the definition of two "dummy" variables to represent deviations of private banks and credit unions with respect to BANADESA, the "base" or level of reference.

The results of this regression analysis are presented in step-wise form in Table 13. The first regression would suggest significant differences between private banks and BANADESA, in terms of their effect on the level of transaction costs. The differences between credit unions and BANADESA are not statistically significant. However, when the loan amount is added as an explanatory variable, the significance of institutional differences disappears (equations 2 and 4 in Table 13). Farm size seems to have a significant influence on transaction costs per loan when included instead of loan size (equation 3) but not so when both variables are present in the regression.

Finally, the inclusion of the interest rate as an explanatory variable is a positive contribution to the overall results, reflected in equation 5. The main determinants of the level of transaction costs are the loan size and the interest rate. Each additional thousand lempiras borrowed increases the level of transaction costs incurred by 7 lempiras. On the other hand, one additional percentage point charged in the explicit interest rate would decrease transaction costs by 22.7 lempiras.

Table 13. Regression Analysis of Transaction Costs per Loan.

Explanatory Variables	Estimated Coefficients in Different Regressions ^{1/}				
	1	2	3	4	5
Loan Sources: Private Banks	481.52 (5.86) ^a	82.52 (0.96)	374.51 (4.27) ^a	54.53 (0.62)	85.76 (0.97)
Credit Unions	- 52.93 (-0.66)	- 1.50 (-0.02)	- 31.04 (-0.35)	9.14 (0.12)	- 5.95 (-0.08)
Loan Amount		0.0078 (8.21) ^a		0.0078 (7.65) ^a	0.0073 (7.07) ^a
Area of the Farm			0.789 (2.96) ^a	0.294 (1.22)	0.363 (1.49)
Interest Rate					- 22.72 (-2.25) ^b
Intercept	111.25 (2.34) ^b	31.23 (0.74)	58.59 (1.17)	11.27 (0.26)	315.53 (2.22) ^b
R-Square	0.18	0.39	0.21	0.40	0.41
F Value	20.51 ^a	40.96 ^a	16.48 ^a	30.81 ^a	25.56 ^a

^{1/}t-statistics in parentheses.

Significance levels: a, 0.01

b, 0.05

Some final remarks are important with respect to institutional behavior. The observed differences between lending sources discussed in preceding sections are indeed reflecting the differences between the size distribution of their loan portfolios and the range of interest rates they can control. On average, all institutions follow similar lending policies, imposing higher requirements and more complicated procedures whenever they deal with larger-size loans and/or are constrained to charge a lower explicit interest rate.

3. Informal Credit Activity Among
The Sample Population: Scope and Style

In addition to borrowing costs and related issues for formal credit borrowers discussed previously, informal credit is another important feature of rural financial markets in Honduras. This survey, though not primarily designed to investigate informal credit transactions, nevertheless has generated valuable information that helps us place this activity in some perspective.

Table 14 presents the scope of informal credit among the sample population in the survey. Forty-one percent of the total formal credit sample also registered informal credit activity. Among the credit union members without formal credit, 44 percent recorded informal credit transactions. It is important to bear in mind that the major purpose of this survey was to measure borrowing costs, therefore the emphasis was to design a carefully structured random sample of selected formal credit clientele from the three major sources of formal credit in the RFM setting of Honduras. As such, this tends to bias the sample away from those farmers that would be the most likely customers for more traditional forms of informal credit, i.e. those without

Table 14. Access To Informal Sources of Credit by
Individual Farmers by Source^{1/}

Type of Informal Source	Percent of Farmers With Formal Loans Also Receiving Informal Loans				Percent of Farmers (Credit Union Members) Without Formal Loans Receiving Informal Loans
	Total Sample	BANADESA	Private Banks	Credit Union	
Input and Equipment Suppliers (commercial firms)	12.9	9.8	27.5	2.5	8.3
Friends or Relatives (inputs only)	6.2	8.9	3.9	2.5	8.3
Services Suppliers (machinery and transportation services from other individuals)	14.1	13.7	18.0	10.0	8.3
Marketing Intermediaries	13.3	10.6	19.6	12.2	16.7
Money Lenders	14.2	13.5	13.7	16.7	16.7
Total (from any source)	41.41	39.4	53.9	31.0	44.4

^{1/}Based on 234 interviews to individual farmers. Only valid cases considered. This consists of 198 farmers with formal loans and 36 credit union farmers who had no formal loans.

Source: Survey results.

access to formal credit channels. The slightly higher share of informal credit activity in Table 14 (44 percent) for credit union members without formal loans, than for the formal credit clientele, tends to support this hypothesis.

Thus the results generated through this sample should be interpreted as a lower bound estimate for informal credit activity among the farmer population of Honduras. Still, the share of 40 to 44 percent is quite high and, if taken as an underestimate, strongly suggests that in a random sample of all agricultural producers in Honduras, informal credit activity would likely reach from one-half to two-thirds of the total population, a share far higher than that for formal credit.

With this broad statement and conclusion behind us we can proceed to a more detailed analysis of the remaining data in Table 14 . This can be summarized as follows:

- 1) There are sharp differences in the shares of informal credit associated with different formal credit clientele, ranging from a high of 54 percent for commercial bank customers to a low of 31 percent for credit union members with loans. This contrast goes against conventional wisdom which would suggest that the lesser sophisticated, smaller clients (i.e. the credit union farmers) would register a relatively higher number of farmers with informal credit activities than the larger and more sophisticated customers of commercial bank credit.

- 2) The explanation for this finding in (1) is the heterogeneity of informal credit sources from relatively modern and sophisticated forms of informal credit through input supply firms to more traditional sources such as loans from friends or relatives or money lenders. Not surprisingly commercial bank customers reflect a higher relative use of credit from input supply firms than the other credit customers and a correspondingly lower share of credit from friends and relatives. The smaller and less capitalized farmers record higher relative shares from individual money lenders as we would expect. Money lenders here can refer to specialized "prestamistas" or merely individual farmers who make loans to other farmers.
- 3) The relatively high share of informal credit coming from marketing intermediaries to both commercial bank customers as well as to credit union members with or without credit highlights the general nature of this classification. Market intermediaries for commercial bank customers refers to tobacco and sugar mill operators while the intermediaries for smaller farmers (i.e. credit union members) refers to various forms of "coyotes" purchasing (and extending credit) for foodstuffs at the farmgate.

- 4) In summary the data in Table 14 underscores the importance of informal credit in the farm community in Honduras and, of equal importance, the heterogeneous forms it takes. Of particular interest here is the degree to which informal credit activity stands out in the liquidity management behavior of commercial bank loan customers. The extent of these "modern" or relatively sophisticated forms of non-bank informal credit through commercial firms supplying inputs or processing or marketing output argues that these firms should be included as potential clients in any strategy to promote an expansion of rural credit in the agricultural sector in Honduras.

Table 15 offers additional information on informal credit transactions. Most all informal credit, regardless of source, is one year or less in duration. Among the sources indicated in Table 15 two distinct groups can be seen: input suppliers and direct moneylending activity on the one hand, and direct inputs from friends and relatives, rental of machinery, equipment and work animals and market intermediaries on the other hand. The latter category has a large percentage of its informal credit (around 80 percent) with a very short term structure (6 months or less). This is due to its direct association with the growing season and is repaid quickly with proceeds from the harvest.

Table 15. Term Structure of Informal Loans by
Source, Received by Farmers Also
Receiving Formal Loans

Source of Informal Loans	Percent of Loans with Maturity of <u>6</u> Months or Less
Input Suppliers (commercial firms)	63
Friends or Relatives (inputs only)	83
Services Suppliers (machinery, transportation)	81
Marketing Intermediary	79
Money Lender	65

Source: Survey results.

The former category, commercial input supply credit and moneylending, has a smaller share of its credit falling into this very short term structure. This may be due to the fact that some of the inputs purchased from commercial firms with credit may not be as short term crop specific in nature as those borrowed from friends and neighbors. Also some of the informal credit from moneylending sources may not be associated with farm requirements at all. Still, in the end, it is clear that the informal credit transactions (from any source) in Honduras are much more short term than the common pattern for formal loans. Informal source creditors typically have a more pronounced liquidity need than formal lenders and therefore demand and receive more prompt and quicker payments from their customers. Moreover this repayment frequently comes at the partial expense of formal creditors in that farm borrowers frequently honor their informal source obligations before dealing with their formal debts.

Table 16 sets forth the informal credit activity of those informal credit member-farmers who had no formal loans from any source (not even from their credit union). Of the 36 individual farmers in this sub-sample, 16 had informal loans (from any source). Moneylending and coyote forms of market intermediary loans stand out as the more common form of informal credit transactions for the group.

Table 17 draws together the data on both the formal and informal credit activity in the entire sample and for selected sub-samples of farmers in the survey. These results allow one to engage in a comparative analysis of these two sources of credit and; in the process, place informal credit in the context of total credit.

Four sets of farmers comprise the several samples in Table 17 . First is the entire sample of individual farmers in the survey made up of 198 farmers with formal loans and 36 credit union farmers without formal loans for a grand total of 234 farmers. Second is the set of all farmers with formal loans which totals 198 cases. The third set is made up of those 82 farmers with formal loans who also have informal loans. Finally the fourth set is made up of those 16 credit union members without any formal loans but with informal loans.

Several interesting comparisons are evident in Table 17 . First, depending upon which set comprises the total, informal credit activity accounts for anywhere from 28 to 40 percent of the total lempira value of credit recorded in the survey (Panel D). Second, there is a hierarchy of average loan sizes that conforms to expectations in that the average formal loan sizes are larger than the average informal loan sizes and, among the latter (Panel C) the average informal loan size for farmers who also have formal loans (L. 16,123)

Table 16. Credit Union Members Without Formal Loans
With Informal Loans by Source.

Source of Informal Loans	No.	Total Amt. (L.)	Average Loan Size (L.)
1. Money Lender (includes friends or relatives lending money)	6	L. 2,805	L. 467.5
2. Commercial Firms (inputs, equipment)	3	L. 66,470	L. 22,156.7
3. Friends or Relatives (inputs or grains only)	3	L. 84	L. 28
4. Services Suppliers	3	L. 4,742	L. 1,580.7
5. Market Intermediaries	6	L. 19,526	L. 3,254
6. Total (from any source)	16	L. 93,627	L. 5,851.7

Source: Survey results.

Table 17. Comparative Measures of Formal and Informal Loans
by Total Sample and Sub-Samples^{1/}

A. Formal Loans Total Sample (198 Farmers)			
	<u>Lempiras</u>		<u>Lempiras</u>
1. Total Formal Loans Approved	L. 4,540,160	Ave. Loan Approved	L. 22,930
2. Total Formal Loans Disbursed	L. 3,430,717	Ave. Loan Disbursed	L. 17,414
B. Formal Loans Sub-Sample (82 Farmers with Both Formal and Informal Loans)			
1. Total Formal Loans Approved	L. 2,722,181	Ave. Loan Approved	L. 33,197
2. Total Formal Loans Disbursed	L. 1,977,121	Ave. Loan Disbursed	L. 24,408
C. Informal Loans			
1. Total Informal Loans (for 82 farmers with both formal loans and informal loans)	L. 1,322,123	Ave. Loan Size	L. 16,123
2. Total Informal Loans (for 16 credit union farmers with no formal loans)	L. 93,627	Ave. Loan Size	L. 5,851
D. Share of Formal and Informal Loans ^{2/}			
	<u>Formal</u>	<u>Informal</u>	
1. In Total Sample (234 farmers)	71	29	
2. In Total Formal Loan Sample (198 Farmers)	72	28	
3. In Formal Loan Sub-Sample (82 Farmers)	60	40	

^{1/}The three sample sizes here consist of: (1) Total sample of 234 farmers made up of 198 farmers with formal loans and 36 credit union farmers without formal loans; (2) the total formal loan sample made up of 198 farmers; and (3) the formal loan sub-sample of 82 farmers with both formal and informal loans.

^{2/}Based on total amount disbursed for formal loans.

Source: Survey results.

is almost three times the average informal loan size for the credit union members without formal loans (L. 5,851). This particular contrast, as discussed earlier in Table 14, reflects the contrasting characteristics of modern or sophisticated informal loan activity associated with larger and wealthier farmers and the traditional or more rudimentary informal loan activity associated with credit union members.

Finally, it is of interest to note the unusually high average loan size for informal credit transactions for the 82 farmers with formal loans. This figure (L. 16,123) is almost the same size as the average formal loan size for disbursed funds for the 198 farmers with formal loans (L. 17,414). At the same time the average disbursed loan size for formal loans for these 82 farmers in Panel B (L. 24,408) is substantially higher than the average formal disbursed loan size for the entire set of formal loan farmers in Panel A (L. 17,414). This indicates that the particular form of informal loan activity engaged in by the 82 farmers with formal loans is not only relatively modern or sophisticated in form but that, on the average, it is comparable in size and scope to the formal loans engaged in by the rest of the sample who do not have these informal sources. In a sense, this type of informal loan activity represents a privileged source of funds that is more important than many of the formal source funds and, as a result, is reserved only

for farmers with unusual collateral or enterprise type activity (such as tobacco or sugar crops marketed to processors or special livestock activity marketed through meat packers).

The final two tables in this section present data on the degree to which individual farmers in the survey engaged in making loans to others. Whereas the former tables represented the degree to which our survey farmers were recipients (or debtors) of informal credit activity, these two tables indicate the degree to which they are in turn lenders (creditors) in the informal credit market and the typical term structure of their loans.

The results are interesting. Table 18 indicates that our survey farmers overwhelmingly participate as lenders in the informal credit market regardless of their source of formal credit. An important implication of this finding is that some portion of the formal credit that finds its way into the hands of these farmers gets relent as informal credit. This informal lending is largely to various categories of temporary or permanent workers on the farmers' premises. In short the farmers make advances on wages to their workers throughout the year thereby allowing their informal client-borrowers greater degree of freedom in managing their consumption needs during the year.

Table 18. Individual Borrowers from Formal Institutions Supplying Credit in the Informal Market^{1/}

Type of Informal Loan	Percent of the Total Sample That Make Loans	Farmers with Formal Loans (By Source) That Make Informal Loans		
		BANADESA	Private Banks	Credit Unions
Grains	56.7	58.8	58.8	48.8
Money	66.5	60.0	91.8	51.2
Inputs (seeds, fertilizer, etc.)	16.0	11.8	26.0	11.8
Services (rental use of machinery, equipment, animals, etc.)	35.6	30.8	52.9	22.9
Land or Pasture	27.3	15.7	49.0	29.3
To Market Intermediaries	21.2	22.1	25.0	14.3
Total (Making Any Type of Loan)	90.9	90.4	92.3	90.5

^{1/}Based on 198 interviews to individual farmers. Only valid cases considered.

In summary, an expansion of formal rural credit lubricates the rural economy in two ways: (1) first in increasing on-farm employment and purchases of farm inputs with the multiplier effects that these wages and expenditures have on continuing rounds of spending in the rural economy and; (2) allowing greater opportunities for formal credit farm-borrowers to extend informal credit and/or advance wage payments to their employees at a rate faster than they could do otherwise.

Further findings from Table 18 underline the relatively predominant sale of commercial bank farmer-clients in extending informal loans in the form of money, equipment rental services and land or pasture rentals as compared to other formal client lenders. This makes sense in that it is these larger and/or higher income farmers that have larger labor forces and greater access to formal lines of credit to use for advance wage payments and informal loans, and larger assets and land holdings for the other forms of informal lending. Informal basic grain loans, in contrast, register fairly similar relative shares among all types of formal-borrower clients.

The final table in this collection underscores the very short term nature of the farmer-lending side of the informal credit activity. The first four forms of informal

Table 19. Term Structure of Informal Loans by
Type of Loan, Supplied by Farmers
Also Receiving Formal Loans

Type of Informal Loan	Percent of Loans with Maturity of <u>3</u> Months or Less
Grains	86
Money	87
Inputs	79
Services (machinery, animals)	83
Land or Pasture	64
To Market Intermediaries	61

Source: Survey results.

loans listed have a relatively high share (79 to 87 percent) of their loan activity loaned out for three months or less. Basic grain and cash loans are largely for consumption purposes and are lent to make up for shortfalls in liquidity and grains from April-June to August. Following the harvests in the Fall these loans are paid off (largely by workers on the farms) quickly. The latter two categories of informal loans have a slightly longer maturity distribution that stretches from 4 to 6 months or more.

In conclusion, informal credit activity in the rural financial markets of Honduras is clearly of importance. From 40 to 44 percent of our farmer-clientele groups received this credit and this activity represented from 29 to 40 percent of the total amount of credit (formal and informal) in the sample (depending on which farmer sample one uses as a base). Second, the heterogeneity of informal credit sources stands out from relatively well organized sources of non-bank credit from input suppliers to more traditional loans from friends and money lenders. Third, some of these modern forms of informal credit are associated with higher average loan sizes than most formal loans and associated with the most successful formal loan borrowers in the sample. Fourth, informal loans are typically of much shorter duration than formal loans, and fifth, there was an overwhelming participation of our farmer sample (90 percent) making informal loans to others.

The interesting interrelationship in our survey between farmers who receive informal loans and those who make them suggest the following pattern: (1) relatively better off farmers (i.e. loan customers from commercial banks) typically make more informal loans (largely to their employees, sharecroppers and neighbors) than they receive (which are largely from input suppliers and processors); (2) less well off and smaller farmers such as credit union members with or without formal loans typically receive more informal loans (from larger farmers; friends, moneylenders, etc.) than they make or lend out.

This implies that if one is trying to arrive at an accurate measure of informal credit activity in the Honduran setting one should arrive at some weighted average of the two sides of the informal credit market revealed in our survey. This would suggest that informal credit in the agricultural sector in Honduras lies between 40 to 45 percent on the one hand and 90 percent on the other. The bias in our farmer sample that emphasized formal loan clients implies that our farmer group would engage more in making informal loans (i.e. 90 percent of the sample did so) than in receiving them (only 40 percent did so). A sample that had an opposite bias (emphasizing smaller farmers without formal loans, etc.) would presumably have these percentages reversed to some extent. More surveys with different biases are needed before one can draw conclusions about this point.

A major point that does emerge from our survey is that increased liquidity in the rural economy (say in the form of an increase in formal agricultural credit) does work itself through the system in such a way that informal credit transactions also increase thus improving the liquidity and consumption needs of farm households that do not have access to formal credit channels. Associated with this finding is the fact that many activities that are not strictly farming activities should clearly be financed in formal agricultural lending programs since these activities (i.e. input supply firms and marketing agents) play an important role in extending informal (i.e. non-bank or non-program) credit to their farm customers. In short, formal credit is intimately tied in and interacts with informal credit activities and sectors and thus the impact of formal credit programs and loan portfolios extends far beyond the limited horizon of the first tier of formal farm borrowers.

VII

CREDIT SUPERVISION IN HONDURAN

RURAL CREDIT INSTITUTIONS

Ronald Tinnermeier

CREDIT SUPERVISION IN HONDURAN RURAL CREDIT INSTITUTIONS

Credit supervision is widely discussed but seldom is used in the same way or has the same meaning for those using the term. For some, supervision simply means control over the disbursement of credit while for others it may mean not only controlling credit withdrawals but also providing other services with credit like technical assistance, financial management, input and product marketing, farm planning and analysis, and extension. For example, supervised agricultural credit programs financed by A.I.D. in the 1950s tended to stress the integrated service end of the continuum. Thus, supervised credit means many different things to many different people.

The purpose of this part of the study is to identify and describe the types of supervision and services within the previously defined continuum which accompany agricultural credit for small farmers in a number of programs in Honduras. Where possible, the number of technicians and their functions will be described. Finally, some judgement will be made about the adequacy of these supervisory services. Such observations must be tentative, even superficial in some cases, because of the short amount of time available for this part of the study.

Institutional Coordination for the Reformed Sector

An interinstitutional system has been operating for the past 1 - 1 1/2 years in an attempt to coordinate not only credit but all of the other public

services going to the reformed sector. One function of this system is to help reform groups prepare documents and investment plans required for BANADESA loan applications, as is discussed later.

The interinstitutional system now operates at three different levels. ENI (Equipo Nacional Interinstitucional) is the national policy group originally composed of representatives from the Secretariat of Natural Resources (RR.NN.), National Agrarian Institute (INA), the Agricultural Development Bank (BANADESA), and the Directorate for Cooperative Development (DIFOCOOP). Recently, membership of ENI was expanded and presently includes nine different government agencies and a representative from each of the major campesino groups. The total now includes: Extension Head, RR.NN.; Director of Agricultural Planning, RR. NN.; Head of Training and Rural Development, INA; Head of Group Credit, BANADESA; Head of DIFOCOOP; Head of Agricultural Department, INFOP; Head of Planning Department, Public Health Ministry; National Supervisor of Primary Education, Education Ministry; Head of Planning, IHMA; Head of Sector Planning, Secretariat of Public Works and Transportation; Head of Agricultural Planning, CONSUPLANE; and representatives from ANACH, UNC, and FECORAH.* However, these persons often are represented by lower level technicians.

The second group is ENOI (Equipo Nacional Operativo Interinstitucional)

* "Reglamento de la Coordinación Interinstitucional," ENI, Tegucigalpa, abril 1981.

which is responsible for implementing ENI policies and actions. ENOI is composed of representatives from the same entities as ENI, although the campesino representative is optional since ENOI implements within the public sector. ENOI is responsible for: elaborating an annual plan of work; implementing ENI decisions, advising the regional groups (EROI) on planning, credit use and repayment, marketing, and grain storage; and planning and implementing training programs with PROCCARA, DIFOCOOP, INFOP, and RR. NN.

The third group in the system is the EROI (Equipo Regional Operativo Interinstitucional) which provides direct contact to the reformed sector through the newly established regional cooperatives of ANACH. Presently there are 8 EROIs operating and another is being formed. Each EROI theoretically is to: provide technical and credit assistance, training, education and administration to the campesino groups; formulate, implement and evaluate operating plans; implement administrative and accounting systems with the groups; control, supervise, and watch over loans and their repayment; advise on marketing; prepare training plans and send to ENOI to include in the national plan; assure groups comply with loan requirements; and help groups meet prerequisites required by agencies for services.

At the regional level the EROI works with the Regional Agricultural Directorate (DAR) of RR. NN, which directs all activities within the agricultural sector in that region (reformed and private). Usually a

member of the DAR planning unit is assigned to each regional cooperative in its area and serves on the EROl. The extension service of RR. NN. assigns agents in the same way, as does INA. Where the EROl serves more than one regional cooperative, sub-working groups are assigned to work with each cooperative.

As to credit, the EROl serves three roles: 1) helps prepare local cooperatives and regional cooperatives investment plans, 2) helps get loan documents and application in order, and 3) supervises loan disbursements and repayments. The quality of the work varies from region to region depending upon the make-up of the EROl. For example, in the Choluteca EROl, visits are made to each local cooperative to determine which activities (crops, livestock, machinery) are to be financed. Then, a one-page investment plan is prepared for each activity or crop to be financed in the local cooperatives. These are summed to determine the total amount of the loan to the regional cooperative. Since CARCHOL (Cooperativa Agropecuaria Regional Choluteca Ltda.) now has 22 local cooperatives, that many investment plans would be prepared for corn. For a recent livestock loan, 14 investment plans were made but only 8 were included in the final loan document (the other cooperatives were not considered ready for livestock loans). For CARCHOL, the investment plans are jointly prepared by a Credit Official from BANADESA, a credit assistant (auxiliar) from INA, and a technician (perito) from the cooperative itself. No other credit plans or farm

analyses are carried out by EROI at this time in Choluteca.

More analysis appears to be done by the EROI in San Pedro Sula in its work with CARCORTEL (Cooperative Agropecuaria Regional Cortés, Ltda.). There, along with the regular BANADESA documents, a 10-12 page summary is prepared on the following items: present situation (location, organizational form, land tenure situation, soils, experience, financial situation, and resource inventory); who will provide technical and administrative assistance; credit needs (based on investment plans); requirements to be met before the loan; requirements to be completed after loan begins; summary of income and expenses; and a one page listing of past loans by each local cooperative.

The investment plan for each local cooperative in CARCORTEL includes more detail than that found in Choluteca. Costs are estimated separately by month, for labor, tractor use, animal traction, and inputs. Also, a few efficiency measures (yields, value and cost per manzana, net return/manzana, and net returns over cost) are calculated. According to the loan document (signed by CARCORTEL, INA, and BANADESA), six persons are assigned full time to assist CARCORTEL: 1 INA promotor, 1 INA assistant accountant, 1 accountant from IADSL (Instituto Americano de Desarrollo de Sindicatos Libres - Am. Free Labor); 1 RR. NN. technical coordinator, 1 BANADESA credit official, and 1 DIFOCOOP extension agent. ANACH also has 4 "activistas" assigned to the

regional cooperative.

The EROI plays a more limited role in supervising credit use and repayment. Each loan disbursement must be authorized by the credit official and is usually preceded by a field visit to the respective local cooperative by either an extension agent or by the bank agent. Loan repayment is the primary responsibility of the credit official.

An Evaluation

A number of problems have already appeared in the EROI system:

1. There appears to be considerable change in the membership of the EROI's and duties of each person. Because of this turn over, it is hard to maintain continuity in the work with the cooperatives and to retain trained technicians familiar with the system. A member of ENI stated that of 30 persons trained, only 5 remain within EROI's to date.
2. Coordination problems still exist although it appears the EROI system has established stronger ties between the extension and credit agents.
3. The investment plans include very little farm planning or analysis. The same assumptions (yields, costs, inputs needed, etc.) are used for each local cooperative which makes the

individual investment plans meaningless. Even so, considerable resources are allocated to this effort.

4. There is great variation in the experience and competence of the members of the EROI.
5. The EROI system appears to contribute to further loan approval delays. Considerable time is needed to get the loan application, investment plans, etc. in order. The loan application must then be reviewed by BANADESA and by EROI in Tegucigalpa. All of this can lead to delays of many months.
6. Responsibilities are poorly defined in some of the EROI's. This leads to delays and inefficiencies. For example, the EROI is responsible for assuring loan repayment, but if no one is assigned the specific responsibility, little may be done. Efforts are being made to develop more detailed procedures and methodologies for the EROI's in a manual scheduled for release in October 1981.
7. A lot of resources (human and otherwise) are tied up in the EROI system. One agency already is starting to evaluate whether the results justify such a heavy input of its personnel,

In summary, the EROI system seems to have considerably improved the coordination among the government agencies working with the regional cooperatives. Some EROI's even meet weekly to discuss problems and solutions. However, to be effective in the longer run, given the heavy input of government resources, emphasis will have to shift from the planning/coordinating functions to more technical and management functions to produce results (increased production and incomes). Plans mean nothing unless they are implemented.

INA, RR. NN. and BANADESA Supervision

The main government agencies working with small farm credit, supervision, and technical assistance are INA, RR. NN., and BANADESA. INA's role in credit extension and supervision is the more limited of the three. Its primary function, of course, is to handle land redistribution and titling and to form and organize the resulting reform groups. In recent years it has concentrated its' budget and personnel in a few, more intensive rural development projects and with asentamientos which had relatively high productive potential. Few of its' staff are trained to work directly with credit supervision. Besides the concentrated projects, INA's other main involvement related to credit is its participation in the EROI's which support the regional cooperatives discussed previously.

The RR. NN. is associated with credit in two ways: through its' sector planning efforts and through the extension service. The planning office is represented in the three different interinstitutional groups of ENI, ENOI, and EROI.

The sector planning office of RR. NN. also was involved in an earlier AID-financed farm and investment plan program called PROTECPA (Proyecto de Tecnologías para Pequeños Agricultores). A team of 12-15 professionals (5 foreign) was financed with the objective of developing a capacity for planning and evaluating farming systems within the public sector. This project ran for about three years and terminated the latter part of 1980. By August 1980 the planning

group had completed 289 investment or farm plans for 127 separate groups as shown in Tables 1 and 2.

TABLE 1. PROTECPA assistance to Reform Groups 1977-1980

<u>Zone</u>	<u># of Groups Assisted</u>	<u># of Families</u>	<u># of Has. Adjudicated</u>
Choluteca	22	536	4,118
San Bernardo	15	257	3,480
Comayagua	13	248	2,130
Juticalpa	15	291	1,710
Tela	9	198	1,100
La Ceiba	2	30	358
San Pedro	3	43	436
Talanga	4	66	800
Guaymas	29	1,048	4,712
Bajo Aguan	15	453	7,614

Assistance by Year

	<u>New Groups</u>	<u>Repeats</u>
1977	53	-
1978	29	39
1979	30	61
1980	15	62

SOURCE: Rodríguez, Informe Final

TABLE 2. PROTECPA Planning Assistance to Regional Cooperatives
1977-1980

<u>Regional Cooperative</u>	<u># Member Coops.</u>	<u># of Families</u>	<u>Hectares Adjudicated</u>
CARAOL	19	395	3,367
CARCHOL	30	556	5,183
CARCEFOMOL	9	202	1,495
CARNOL	13	282	2,087
CARAGUAL	14	330	2,515
CARAL	52	823	7,730

SOURCE: Rodríguez, Informe Final

The plans prepared by PROTECPA normally included short analyses of the following topics:

- General information, location
- Present and proposed use of the land
- Costs of the proposed plan
- Financial state of the group
- New investments proposed
- Costs and returns for crops to be financed.
- Resources to be used to cancel new loan
- Resources to be used to cancel previous loans
- Labor utilization and flows
- Level of technology
- Disbursement plan for loan
- Plan implementation
- Recommendations

Because of the scope of the analysis, the plans often were 20-40 pages in length, with tables.

The experience of PROTECPA provides many insights into problems associated with farm planning and analysis for groups in the reform sector. Plans prepared for some groups were never even used since the loan was denied because legal or other requirements were not met. Others didn't want to assume the amount of debt implied by the plan. It was found that many groups could not absorb very large amounts of additional capital investment since they had large debts from previous loans. Groups often preferred to use the known technology rather than accept the perceived more risky recommendations in the plan. Poor records are kept which makes planning and analysis more subjective. Finally, groups often didn't comply with the plan, either because of delay in the loan approval, arrival of inputs or equipment broke down. The biggest problem appears to be that there was little supervision or follow-up of the plan after the loan was approved. Unfortunately, no in-depth evaluation has been made of that planning effort yet even though it might have some important lessons for the planning efforts of the EROIs' and others.

The extension service has 86 offices in the country with 149 extension agents, distributed among eight regions as shown in Table 3. Of these agents, 17 are directly assigned to cooperatives being

served by the regional cooperatives and EROI's. The national extension office estimates 90 percent of the extension agents are working with groups in the reform sector. An additional staff of 59 technicians and administrators are located at the regional extension offices as shown in Table 4. The extension agents' main functions are to: carry out diagnostic surveys, gather production and group data, help analyze group and productive operations, assist in planning efforts at local and regional cooperatives, and make technical recommendations, often associated with credit extension. Unfortunately, such technical assistance gets to few farmers. An INVEST study estimated only 7.8 percent of farmers with less than 2 ha. received such assistance. From 9-12.5 percent of farmers with 20 ha. or less received technical assistance.

TABLE 3.

AGENCIES AND TECHNICAL STAFF OF P.E.A.

REGION	EXTENSION AGENCIES	AGRIC. AGENTS	RURAL YOUTH PROMOT.	RURAL DEV. PROMOT.	AGENTS WITH EROI
South	15	19	6	8	2
West Central	11	18	8	8	1
North	14	24	9*	1	10
Atlantic Coast	6	28	2	2	
Northeast	7	16	8	5	2
East Central	20✓	23	8	11	2
West	13	21	3	10	
TOTAL	86	149	44	45	17

*Of these 8 are yet to be appointed.

Source: Programa de Extensión Agrícola, RR. NN.

TABLE 4.

REGIONAL STAFF OF P.E.A.

REGION	REG. COORD.	ASSIST. COORD.	AGRIC. SUPERVISORS	RURAL DEV. SUPERVISORS	AGRIC. COMMUNIC.	TOTAL REGION
South	1	1	3	2	4	10
West Central	1	1	3	1	2	7
North	1	1	3*	1	2	8
Atlantic Coast	1	1	6	-	1	9
Northeast	1	1	3	2	4	11
East Central	1	1	3	1	2	8
West	1	-	3	1	1	6
TOTAL	7	6	24	8	16	59

*One yet to be appointed.

BANADESA is the major public sector lender to agriculture. It previously was called Banco Nacional de Fomento (BNF) but was re-organized last year and given the new name. The main contact with the farmer is by a "credit official" or one of the few agronomists. At present, there are 130 credit officials and 8 agronomists in the bank. These are distributed among four regions (regional offices are being formed) and 27 field offices as shown in Tables 5-9. With only 8 agronomists, it is obvious that BANADESA does not provide much technical help to its borrowers. Instead, it relies on RR, NN, or other agencies to provide that service.

The credit officials are spread pretty thin since they work with individual borrowers as well as groups. One credit official is assigned to each regional cooperative associated with the EROI system (presently 14). Others are primarily assigned to other cooperatives that have large BANADESA loans.

The credit official helps the borrower prepare an investment plan and may visit the farm if time permits. He also must approve loan disbursements, again based on a farm visit if possible. For large loans or for group loans he may maintain more supervision or control. If the loan becomes delinquent, the credit official will visit the farmer to encourage repayment. Otherwise, few borrower visits are made by the credit official during the life of a loan.

TABLE 5

AGRICULTURAL DEVELOPMENT BANK (BANADESA)

NO. OF EMPLOYEES BY REGION

REGION	TOTAL EMPLOYEES	CREDIT OFFICIALS	AGRONOMISTS
I	315	67	4
II	190	32	2
III	56	9	-
IV	103	22	2
TOTAL	664	130	8

SBA/lev.
17-8-81

TABLE 6

REGION I

A G E N C I A	TOTAL EMPLOYEES	CREDIT OFFICIALS	AGRONOMISTS
Sucursal Oficina Principal	81	15	2
Tegucigalpa	9	-	-
Comayagua	29	7	-
Choluteca	49	11	2
Nacaome	15	3	-
Danlí	27	8	-
El Paraíso	16	2	-
Juticalpa	36	11	-
Catacamas	22	5	-
Marcala	17	3	-
Camasca	5	-	-
Minas de Oro	9	2	-
T O T A L	315	67	4

SBA/lev.
17-8-81

TABLE 7

REGION II

A G E N C I A	TOTAL EMPLOYEES	CREDIT OFFICIALS	AGRONOMISTS
Sucursal San Pedro Sula	90	11	2
Nueva Agencia San Pedro Sula	10	—	-
Puerto Cortés	18	3	- -
Santa Bárbara	28	6	-
El Progreso	20	7	-
Yoro	15	3	-
San Luis	9	2	-
T O T A L	190	32	2

SBA/lev.
17-8-81

TABLE 8

REGION III

A G E N C I A	TOTAL EMPLOYEES	CREDIT OFFICIALS	AGRONOMISTS
Santa Rosa de Copán	33	5	-
Ocotepeque	13	2	-
Gracias	10	2	-
T O T A L	56	9	-

SBA/lev.
17-8-81

TABLE 9

REGION IV

A G E N C I A	TOTAL EMPLOYEES	CREDIT OFFICIALS	AGRONOMISTS
La Ceiba	33	4	2
Tela	16	4	-
Tocoa	29	8	-
Olanchito	18	5	-
Puerto Lempira	7	1	-
TOTAL	103	22	2

SBA/lev.
17-8-81

Crop investment plans prepared by the credit officials are usually based on standard plans prepared in the region. An investment plan for rice with high yields for the Choloma, San Pedro Sula region is shown as Attachment A. These plans are based on fairly detailed enterprises budgets (investment plans) prepared in 1979-80 by the technical division of BNF in collaboration with Oklahoma State and Colorado State Universities under an AID/Washington financed project. Over 100 budgets were prepared based on farmer interviews for each major crop, by technology level and region. Those earlier budgets have been simplified and adjusted to current prices for use by the credit officials in preparing investment plans for loans.

BANCO NACIONAL DE DESARROLLO AGRICOLAPLAN DE INVERSION No. 01043

RUBRO= ARROZ RENDIMIENTO ALTO 63 QQS./Mz.

REGION= SAN PEDRO SULA= CHOLOMA

No. MANZANAS: _____

CLIENTE: _____

MANO DE OBRA	JORNALES A*	TOTAL UNID.	L. UNID.	COSTO TOTAL	COSTO PROYECTADO
SIEMBRA		16.0	5.00	80.00	
1ra. LIMPIA		14.0	5.00	70.00	
APLICACION INSECTICIDA		3.0	5.00	15.00	
2DA. LIMPIA		7.0	5.00	35.00	
CUIDO DE PAJAROS		21.3	5.00	106.50	
CORTE Y APOREEO		32.7	5.00	163.50	

OTROS SERVICIOS CONTRATADOS

ARADA TRACTOR	C*	50.00	50.00
RASTRA TRACTOR	C*	20.00	20.00
RASTRA TRACTOR	C*	20.00	20.00
SURCADA TRACTOR	C*	20.00	20.00
ACARREO O TRANSPORTE	B*	0.50	31.50

MATERIALES:

SEMILLA MEJORADA	1.2 QQS	40.00	48.00
INSECTICIDA	0.5 LB	13.50	6.75

SUB TOTAL	666.25
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OTROS COSTOS:

INTERESES SOBRE CAPITAL ANUAL DE INVERSION 12 %	24.70
DE PROPIEDADES =INTERESES 12 %	10.92
DEPRECIACION	41.19
MANTENIMIENTO	12.00

COSTO DE PRODUCCION	755.06
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A* JORNAL DE 6 HORAS

B* COSTO FIJO POR QUINTAL

C* COSTO FIJO POR MANZANA

Central Bank of Honduras (BCH)

The Central Bank has a number of lines of credit and discount programs for agricultural lending. However, from the point of view of loan supervision and technical assistance, the World Bank project and the discount system for tobacco are of special interest. Both involve considerable control and supervision on the part of BCH and or the participant institutions.

The agricultural credit project, financed by the World Bank, primarily goes to finance sugar cane, tobacco, and rice, in order of importance (two large World Bank livestock loans preceded the agricultural loan and are still operating). BANADESA and Banco Sogerin account for 41 percent of the portfolio for both livestock and crop loans intended in the system. Most loans go to medium or large-size farms but smaller farmers are being reached through group or cooperative loans.

A fairly elaborate loan application and supervision system has been established and is required of all participating banks. The farmer contacts the bank, be it BANADESA, or Sogerin, or other banks, to see if he is eligible. If so, an agent from the bank visits the farm for a preliminary assessment of the viability of the proposed operation. Then, the participating bank agronomist accompanied by one of the BCH agronomists visit the farm with the purpose of collecting

relevant data and to work with the farmer in filling out the loan request form and other supporting documents. The loan document (application) should include the following:

- Loan application: a one page for giving general information about the farm, purpose and reason for loan
- A study of the project to be financed
 1. General information on farm and borrower.
 2. A description of the farm, soils, resource inventory (land, cattle, equipment, buildings, etc.)
 3. A description in detail of the project to be financed
 4. An investment plan, by purpose, over the next three years
 5. Cash flow summary
 6. Farm map
 7. Annex with details on expected costs by item
 8. Annex showing herd growth, by animal type, over 10 years (if livestock loan)
 9. Annex showing expected sales and productivity during loan period
 10. Annex showing pasture carrying capacity
 11. Annex with projected annual expenditures.

A set of the forms involved in the study plan is included as Attachment

B. Once the loan is approved, loan supervision includes at least 2 farm

visits per year by BCH staff and a number of visits by the participating bank agronomist to approve loan disbursements. A 25 percent sample survey is made each year to evaluate the progress of the project and the borrowers. For personnel the BCH has 4 regional directors and 10 agronomists in the field offices. In addition, a 6-person CATIE team is contracted to provide technical advice to cattle borrowers. The participating banks have a total of 32 agronomists assigned to the project (for livestock and crop loans).

Borrowers are now charged 14 percent interest and of this 4 percent is allocated to participating banks to cover administrative, supervisory and other costs. A 5 percent charge is contemplated to cover such costs in future loans but has not yet been implemented. The BCH gets 3 percent interest to help cover its operational costs associated with the project.

Expansion of this program to other areas or to smaller farms may be constrained by the high farm-level data requirements and elaborate project analyses that are involved in the current system. The adoption of additional charges or fees should be considered to cover lending costs and/or a simplification of the required lending procedure might be called for if an expansion of the program to smaller farmers were contemplated.

Many of the private banks and BANADESA also participate in the BCH discount line for tobacco loans. The Banco Atlantida program is especially interesting because of its tie with private tobacco companies for technical assistance and marketing. The tobacco loans are mostly to farmers with less than 14 has. of tobacco. The potential borrower works with a technician from the tobacco company who identifies his credit needs. A loan application is prepared jointly and sent to Banco Atlantida. When approved, the loan contract specifies that the tobacco company has authority to handle the farmer's sales receipts to cancel the Atlantida loan. Any excess income from the farmer's tobacco sales through the company is returned to the farmer with the cancelled loan contract. All supervision and technical assistance comes from the tobacco company. The loan document also normally includes an agreement to market the tobacco through the company at an agreed to price. One interesting aspect of this system is that the San Pedro Sula office of Atlantida might have loans with farmers all over the country if the tobacco company works in those areas. In those cases, the Atlantida office nearest to the farmer is instructed to make loan disbursements to the farmer. A similar system is in operation for african palm loans and arrangements are in process to finance some

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banana producers who will receive technical assistance from the Tela R.R. Company. This is a very interesting model and needs further study to see if it would be appropriate for other crops.

BANCO CENTRAL DE HONDURAS
PROYECTO DE CREDITO AGROPECUARIO

Cr - 1005 - HO — Pr - 1833 - HO

SOLICITUD DE CREDITO PARA AGRICULTURA
CULTIVO: _____

Banco: _____

Agencia o Sucursal: _____

Solicitud N°: _____

Fecha: _____

Espacio para el**BANCO CENTRAL DE HONDURAS**

Recibido el _____ de _____ 198_____

Número: _____

Datos Sobre el Solicitante

Nombre Completo del Solicitante _____ R.T.N. _____

Tarjeta de Identidad N° _____ Folio _____ Tomo _____ Apartado Postal _____ Teléfono _____

Domicilio _____

LUGAR

MUNICIPIO

DEPARTAMENTO

Detalle de las Inversiones

Monto (Lps.)

Maquinaria y Equipo _____

Infraestructura _____

Construcciones e Instalaciones _____

Siembra _____

Otros _____

Costo Total _____

Aporte del Solicitante _____

Prestamo Solicitado _____

Capital de Trabajo Solicitado _____ L. _____

Garantía que se Ofrece

Descripción del Tipo de Garantía que se Ofrece al Banco:

Localización y Nombre de la Propiedad en Donde se Harán las Inversiones**Valor de los Activos Según Cálculo del Solicitante**

Valor (Lps.)

%

1.—Tierra _____

2.—Ganado _____

3.—Maquinaria y Equipo _____

4.—Construcciones e Instalaciones _____

5.—Otros _____

Valor Total (Lps.) _____

Lugar y Fecha

Firma del Solicitante

Espacio para el Banco Participante

Trámite de la Solicitud _____

BANCO CENTRAL DE HONDURAS
PROYECTO DE CREDITO AGROPECUARIO

Cr - 1005 - HO — Pr - 1833 - HO

SOLICITUD DE CREDITO PARA GANADERIA

Banco: _____
Agencia o Sucursal: _____
Solicitud N°: _____
Fecha: _____

Espacio para el
BANCO CENTRAL DE HONDURAS
Recibido el _____ de _____ de 198_____
Número: _____

Datos Sobre el Solicitante

Nombre Completo del Solicitante _____ R.T.N. _____
Tarjeta de Identidad N° _____ Folio _____ Tomo _____ Apartado Postal _____ Teléfono _____
Domicilio _____
LUGAR MUNICIPIO DEPARTAMENTO

Detalle De Las Inversiones

Monto (Lps.)

Potreros _____
Cercas _____
Suministro de Agua _____
Construcciones e Instalaciones _____
Maquinaria y Equipo _____
Ganado de Cría _____

Costo Total _____
Aporte del Solicitante _____
Préstamo Solicitado _____

Capital de Trabajo Solicitado _____ L. _____

Garantía que se Ofrece

Descripción del Tipo de Garantía que se Ofrece al Banco:

Localización y Nombre de la Hacienda en Donde se Harán las Inversiones

Valor de los Activos Según Cálculos del Solicitante:	Valor (Lps.)	%
1.—Tierra _____	_____	_____
2.—Ganado _____	_____	_____
3.—Maquinaria y Equipos _____	_____	_____
4.—Construcciones e instalaciones _____	_____	_____
5.—Otros _____	_____	_____

Valor Total (Lps)

Lugar y Fecha _____ Firma del Solicitante _____

Espacio Para el Banco Participante

Trámite de la Solicitud _____

PROYECTO DE CREDITO AGROPECUARIO

Cr. 1005 - HO - Pr. 1833 - HO

ESTUDIO DE PROYECTO GANADERO

Banco:
Sucursal o Agencia:
Estudio iniciado el de de 198
Estudio concluido el de de 198

**Espacio para el
BANCO CENTRAL DE HONDURAS**

Estudio Correspondiente a la Solicitud N°
Recibido el de de 198

I. INFORMACION GENERAL

Nombre del Solicitante R.T.N.

Domicilio y Dirección LUGAR MUNICIPIO DEPARTAMENTO

Apartado Postal Teléfono Tarjeta de Identidad N° Folio Tomo

Extendida en Estado Civil Nacionalidad

Hacienda en la que se harán las Inversiones

Nombre

Ubicación LUGAR MUNICIPIO DEPARTAMENTO

Distancia al centro de la población más cercano y vías de comunicación:

Extensión de la Hacienda Según Títulos mz. Ha.

Tipo de Tenencia

II. DESCRIPCION DE LA HACIENDA

1-Breve Reseña Agrológica

- a) Topografía
- b) Aguas
- c) Suelos
- d) Vegetación Típica

2-Resumen de Inventarios

Ver detalle de Inventarios en Anexo No. 1

Valor (Lps.) %

- 1.-Tierras
- 2.-Ganado
- 3.-Maquinaria y Equipo
- 4.-Construcciones e Instalaciones

VALOR TOTAL (Lps.)

1.—Descripción del Proyecto.

Resumen del Proyecto: Tipo de Explotación, Plan de Desarrollo, Metas que se lograrán, Financiamiento que se propone y condiciones que deberán cumplirse.

PLAN DE INVERSIONES

2-Inversiones Propuestas (En Lempiras)

	VALOR UNITARIO	INVERSIONES POR AÑO						TOTAL		%
		1		2		3		UNID.	VALOR	
		UNID.	VALOR	UNID.	VALOR	UNID.	VALOR			
1-POTREROS NUEVOS HA. RENOVACION HA.										
2-CERCAS NUEVAS KM. REPARACION KM.										
3-SUMINISTROS DE AGUA										
4-CONSTRUCCIONES E INSTALACIONES										
5-MAQUINARIA Y EQUIPO										
6-GANADO DE CRIA TOROS VACAS VAQUILLAS										
Total del Proyecto	L.									
Aporte del Hacendado	L.									
Préstamo Solicitado	L.									
Reembolso por Banco Central	L.									
Desembolso por Banco Participante	L.									

PROYECCION FINANCIERA (LEMPIRAS) GANADERIA

CONCEPTO	ANTES DEL PROYECTO	AÑOS												TOTALES
		1	2	3	4	5	6	7	8	9	10	11	12	
1--INGRESOS														
a) Ventas Totales														
b) Préstamo Proyecto														
c) Aporte del Ganadero														
d) Préstamos Capital Trabajo														
e) Otros Préstamos														
f) Otros														
Total Ingresos														
2--EGRESOS														
a) Inversión														
b) Gastos de Operación														
c) Otros														
Total Egresos														
3--SALDO EN EFECTIVO														
4--INTERESES														
a) Préstamo Proyecto														
b) Préstamos Capital Trabajo														
c) Otros Préstamos														
Total Intereses														
5--SALDO DESPUES PAGAR INTERESES (3-4)														
6--AMORTIZACION														
a) Préstamos Proyecto														
b) Préstamo Capital Trabajo														
c) Otros														
Total Amortización														
7--SALDO DESPUES AMORTIZACION (5-6)														
8--INCREMENTO ANUAL DEL VALOR DEL HATO														
9--BALANCE FINAL (7+8)														

2 - INVENTARIOS

a) Potreros

b) Sitios que se pastorean y tierras incultas

c) Cultivos Anuales y Permanentes

SUPERFICIE TOTAL EN HA

VALOR TOTAL LPS.

II - GANADO

FIERRO DE LA HACIENDA (Dibujo)

SUB. 480 SUBO

(Continuación)

[illegible]

	No.	ESTADO	VALOR
Corrales			
Establos			
Galeras			
Abrevaderos			
Pozos			
Salitreros			
Casas para Trabajadores			
Casa de Administración			
Otras Construcciones			
VALOR TOTAL (LPS.)			

Breve análisis de las condiciones en que encuentra la explotación.

A N E X O N o . 2

DETALLE DE COSTOS DE INVERSION

Debe detallarse lo más posible, los costos de inversión, haciendo referencia al tipo de vegetación existente en el caso de formación de potreros nuevos, tipo de postes para cercas, materiales usados en las construcciones, especificaciones de la maquinaria y equipo, raza y edad de los reproductores a adquirir.

EVOLUCION DEL HATO E INDICES DE REPRODUCCION

[illegible]

ANEXO No. 5

CAPACIDAD DE PASTOREO

CONCEPTO	ANTES DEL PROYECTO	1	2	3	4	5	6	7	8	9	10	11	12
Area Total en Pastos (Ha)													
Capacidad Receptiva (U. A /Ha.)													
Otros Cultivos (Capacidad Rec. U. A.)													
Carga Animal en la Hacienda (U.A.)													
Capacidad Total U. A. en la Hacienda													
Observaciones													

Cambios en el Uso de la Tierra y Cálculo de la Capacidad de Pastoreo

A N E X O No. 6

GASTOS ANUALES DE OPERACION

(EN LEMPIRAS)

13

	ANTES DEL PROYEC		1	2	3	4	5	6	7	8	9	10	11	12	TOTALES
	Mensual	Anual													
1 SALARIOS															
Gerente															
Contabilidad															
Administrador															
Mayordomos															
Campistas															
Ordenadores															
Enrejador															
Peones															
Tractorista															
Cocinera															
Otros															
TOTAL															
2 MATERIALES Y TRABAJO POR CONTRATO															
Concentrados y Alimentos															
Sal y Minerales															
Productos Veterinarios															
Herramientas, Utensilios y Aperos															
Fertilizantes y Pesticidas															
Combustibles y Lubricantes															
Mantenimiento de Vehiculos y Equipo															
Mantenimiento de Edificios y Construcciones															
Mantenimiento de Cercas															
Limpiar, Rosa o Chapea de Poleros															
Compra de Novillos															
Otros															
Imprevistos															
TOTAL															
3 OTROS GASTOS															
Gastos por Ventas, Transp., Comisiones, Imp., etc.															
Cuotas de Asociaciones															
Impuestos Inmuebles, Vecinales, etc.															
Otros															
TOTAL															
Renovación de Sementales															
GRAN TOTAL															

INSTITUTO HONDUREÑO DE CAFE (IHCAFE)

IHCAFE is the main institution in Honduras providing extension and technical assistance to coffee producers. It operates through nine regional offices and 57 local offices scattered in the coffee regions. It presently provides no direct credit to producers but has served as loan guarantor for many BANADESA and private bank coffee borrowers. In 1981 there were 80 extension agents in the field and 89 are expected by next year. A breakdown of activities and agents by regional office is shown in Table 10. Financing for IHCAFE comes from a 5 Lempira charge for each 100 pounds of coffee marketed.

The extension agents had contact with over 12,000 coffee producers in 1980 with an average of about 4.6 has. of coffee each. Of these, the agents helped prepare 2,782 loan applications for an average loan size of 9,116 lempiras. This means each agent helped prepare about 35 loan requests during the year, on the average. Its' estimated IHCAFE now reaches about one-fourth of the coffee farmers in Honduras. Credit comes from BANADESA but private banks Sogerin and Banco Atlantida also extend coffee credit through a discount window in the Central Bank (also available to BANADESA). Seventy percent of the coffee loan can be discounted through that system.

To obtain a coffee loan with IHCAFE's help, the farmer normally contacts an INHCAFE extension agent first. The agent then visits his farm and helps him fill out a one page loan application form. This is

accompanied by the agents report. (See Attachments C and D). The agents report includes a very brief investment plan, comments on the farmer's land, resources, and experience, collateral available, and a short statement on income, which will be used to repay the loan. The farmer then takes these documents to one of the banks to finalize the loan (additional forms no doubt are required by the bank). This IHCAFE guarantor system apparently was effective for a while but as delinquency on coffee loans has increased, banks have been more and more reluctant to accept IHCAFE's guarantee (for previous years, IHCAFE was covered by its own loan account in BANADESA). A credit unit in IHCAFE is responsible for collecting past due BANADESA loans for which it was guarantor. Its' been stated that very little coffee credit is available this year (1981).

IHCAFE also has a small fertilizer loan program although its' significance is not known. For coffee farmers unable to get credit elsewhere, they can obtain fertilizer at 16 percent interest, payable in one year. For the San Pedro office of IHCAFE, 103 such loans for 150,623 lempiras were made in 1980. For the period January-August 1981, another 73 loans for 146,248 lempiras have been made. It is not known if this practice is followed by all IHCAFE offices in the country or not.

Other Coffee Credit Sources

Banco Hondureño de Cafe (BANHCAFE) was formed in May 7, 1980 with at least 60 percent of its authorized capital to be issued only to coffee producers or associations. In 1980 about 7 million lempiras were generated for BANHCAFE through a charge of 10 lempiras per 100 lbs. of coffee marketed. In 1981 the charge is 7 lempiras per bag but another 6-7 million lempiras of bank capital is projected.

BANHCAFE has just begun lending but data on number of loans, amounts, and location were not obtained. The word in the field is that BANHCAFE is requiring solid collateral for any loans extended.

FEHCOCAL (Federación Hondureña de Cooperativas Cafetaleras, Ltda.) is a federation of 26 local coffee cooperatives with some 7,000 members and 23 percent of coffee exports. The central cooperative obtains credit at 19 percent interest from BANADESA, charges 20 percent to the member cooperatives which in turn charge the farmers 22 percent. From 8-10 million lempiras of arrears have accumulated in the local cooperatives in recent years and FEHCOCAL is finding it more difficult to obtain credit. In fact, no production credit has been received since 1978 when a 2.5 million lempira loan became due but was refinanced for 7 years. Also, IHCAFE assumed a \$10 million obligation of FEHCOCAL during that time. Loans have been received since that time but only for coffee harvest and marketing as shown below and in Table 11:

1980	\$ 500 thousand for harvest costs at local coops.
	\$ 1 million for marketing - FEHCOCAL
1981	\$750 thousand for harvest costs (Table 11)
	\$ 1.5 million for marketing-FEHCOCAL

A total of \$2.25 million has been requested for the next season but has not yet been approved. These end-of-season loans since 1980 have been repaid on time. Recently, a \$1 million loan has been obtained from Banco Latinoamericano - Panama, with Banco Continental as a guarantor. FEHCOCAL provides little or no loan supervision or technical assistance to the local cooperatives or individual coffee producers.

TABLE 10. Extension and Credit Assistance by IHCAFE, 1980

Regional Office	# of Extension Agents	# of Farmers Attended	# of Farmers per Agent	Has. Attended	# of Loan Applications Handled	Value of Loan Applications (L. 000)	Average Loan Value Handled (L.)
Santa Barbara	15	2,477	165	8,880	373	5,136	13,769
Sant Rosa	12	1,890	157	4,299	183	1,074	5,869
Yoro	10	720	72	6,044	169	510	3,018
El Paraíso	9	1,177	130	5,039	173	2,656	15,352
Comayagua	11	1,122	102	6,683	561	3,030	5,401
Marcala	6	700	117	4,742	304	3,087	10,155
Campamento	7	2,036	290	9,393	333	1,253	3,763
San Pedro Sula	6	1,395	232	8,354	434	5,418	12,484
Choluteca	5	1,277	255	5,585	252	3,198	12,690
TOTAL	80	12,794	160	59,019	2,782	25,362	9,116

INSTITUTO HONDUREÑO DEL CAFE
HONDURAS, C. A.

**SOLICITUD DE CREDITO
AGROPECUARIO**

No. _____

Banco _____

Para Uso de la Oficina del Banco

Solicitud No. _____

Oficina: _____

Receptor: _____

Fecha: _____

- 1) Nombre completo del Solicitante: _____
- 2) Domicilio: _____
Lugar: _____ Municipio: _____ Departamento: _____
- 3) Edad: _____ y actividad principal: _____
- 4) Estado Civil: _____ y Nacionalidad: _____
- 5) Tarjeta de Identidad No.: _____, Folio: _____, Tomo: _____, Extendida en: _____
- 6) Como deben dirigírseles las cartas: _____
- 7) Nombre de la esposa o compañera: _____
- 8) Suma solicitada: _____
- 9) Plazo: _____
- 10) Destino: _____

11) Garantía ofrecida:

12) Personas que puedan dar informes acerca del solicitante:

Nombre	Dirección
_____	_____
_____	_____
_____	_____

13) Nota:

Firma del Solicitante _____

OBSERVACIONES:

- 1) Si el Solicitante es o ha sido cliente del Banco, indicar en el numeral 13 únicamente la oficina que le otorgó el crédito.
- 2) Si la garantía consiste en bienes raíces, urbanos o rurales, acompáñense los documentos correspondientes.
- 3) Los solicitantes que lleven contabilidad, deberán presentar una copia certificada de su último balance y de su cuadro de ganancias y pérdidas. En caso contrario, deberá llenarse la hoja de situación económica adjunta.

INSTITUTO HONDUREÑO DEL CAFE

INFORME AGRONOMICO

Solicitud No. _____
Nombre del solicitante _____
Región No. _____
Agencia CANADESA en _____
Extensionista _____

En cumplimiento de la orden recibida he practicado una inspección personal en la Unidad de producción del solicitante, sobre la cual informo lo siguiente:

1.- PLAN DE INVERSION PARA DESARROLLAR EL PROYECTO PARA EL QUE SOLICITO EL FINANCIAMIENTO:

A) MATERIALES FECHA	CLASE	VALOR.
_____	_____	_____
_____	_____	_____
_____	_____	_____
1) EFECTIVO FECHA	OPERACION	VALOR
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

2.- OPINION SOBRE LA EXPERIENCIA Y HABILIDAD ADMINISTRATIVA DEL SOLICITANTE EN LAS ACTIVIDADES A QUE SE DESTINARAN LOS FONDOS SOLICITADOS.

3.- DATOS SOBRE LAS TIERRAS, MAQUINARIAS, ANIMALES DE TRABAJO Y DEMAS ELEMENTOS DE QUE DISPONE EL SOLICITANTE PARA DESARROLLAR SU PROYECTO.

4.- REFERENCIAS DEL SOLICITANTE: MUY BUENAS BUENAS MALAS

5.- LAS GARANTIAS OFRECIDAS POR EL SOLICITANTE CONSISTEN EN:

DESCRIPCION	VALOR CREDITICIO
TOTAL	

Incluir detalle por separado.

6.- INGRESOS NETOS CON QUE PODRIA CONTAR EL SOLICITANTE PARA EL PAGO:

A.- INGRESOS BRUTOS

TOTAL	

B.- GASTOS

TOTAL	

C.- RENTA NETA ANUAL Lps. _____

OPINION SOBRE LA OPERACION PLANEEJ' MERITOS O INCONVENIENTES DE LA
MISMA, RECOMENDACIONES

Lugar y Fecha _____

Firma Extensionista _____

Table 11

FEHCOCAL DISTRIBUTION OF THE 1.5 MILLION LOAN FROM BANADESA

CONTRATO No.	COOPERATIVAS	FECHA	MONTO OTORGADO AL 21%
No. 1/81	San Luis Limitada	16-9-80	80.000.00
No. 2/81	Aradeña Limitada	16-9-80	70.000.00
No. 3/81	Lago de Yojoa Limitada	16-9-80	75.000.00
No. 4/81	Progreseña Limitada	16-9-80	40.000.00
No. 5/81	Los Valles Limitada	17-9-80	60.000.00
No. 6/81	Concepción del Norte Limitada	22-9-80	60.000.00
No. 7/81	Regional Santa Barbara Limitada	17-9-80	100.000.00
No. 8/81	San Nicolas Limitada	17-9-80	70.000.00
No. 9/81	San Antonio Limitada	17-9-80	70.000.00
No. 10/81	Santa Ana Limitada	17-9-80	100.000.00
No. 11/81	Tomala Limitada	17-9-80	40.000.00
No. 12/81	Paraiseña Limitada	18-9-80	100.000.00
No. 13/81	Lapaera Limitada	18-9-80	40.000.00
No. 14/81	El Esfuerzo Limitada	18-9-80	80.000.00
No. 15/81	Colopacae Limitada	18-9-80	80.000.00
No. 16/81	Yoro Limitada	18-9-80	50.000.00
No. 17/81	Unión Cafetalera Limitada	19-9-80	50.000.00
No. 18/81	Candelaria Limitada	24-9-80	10.000.00
No. 19/80	Olancho Limitada	19-9-80	50.000.00
No. 20/81	Santa Maria Limitada	22-9-80	40.000.00
No. 21/81	San Nicolas Limitada	6-10-80	15.000.00
No. 22/81	San Luis Limitada	7-10-80	35.000.00
No. 23/81	Paraiseña Limitada	8-10-80	50.000.00
No. 24/81	Los Valles Limitada	9-10-80	50.000.00
No. 25/81	San Antonio Limitada	9-10-80	40.000.00
No. 26/81	San Nicolas Limitada	20-10-80	25.000.00
No. 27/81	Tomala Limitada	4-11-80	20.000.00
TOTAL.....			L. 1.500.000.00

Corporación Hondureña del Banano (COHBANA)

COHBANA, an autonomous government agency was formed in September 1975 by Decree No. 270. Its' functions include setting price policy on bananas; helping with export promotion and organization; investing in banana production; implementing banana research and technical assistance; and obtaining and extending credit to banana producers.

By December 1980, COHBANA had lent a total of \$21,624,566 for banana production with \$16,660,593 still outstanding (most was delinquent). A breakdown of loans by date and entity is shown in Table 12. COHBANA is associated with about 13 percent of total exports.

The major recipient of COHBANA help is the Empresa Asociativa Campesina de Isleta, located in the Department of Colon. This group has about 1,300 members and 5,000 acres in production. Responsibility for technical and financial assistance for Isletas passed from INA to COHBANA in 1976. Labor and financial problems have existed since that time. At present, Isletas is under military and state supervision. Production for export in 1980 was only 8.7 percent of that of 1979, which reflects the great turmoil existing now.

The second largest borrower of COHBANA is Compañía Bananera Hondureña (COHBASA), a private firm with 76 percent of its shares being owned by COHBANA. The firm has about 1,200 acres under production and receives direct technical and management support from COHBANA. Close to \$2,500,000

of credit has been extended to COHBASA for the period 1976-1980 and most of it is still outstanding.

The Cooperativa Agropecuaria La Tres, Ltda. (Finca Tres) is the other reform group supported by COHBANA. By the end of 1980 it had received \$1,861,229 in credit, all of which is still outstanding. This cooperative is composed of 113 families and operates 627 acres of bananas. The rest of the loan portfolio of COHBANA goes to individual producers (mainly extended in 1976) and to a few small marketing cooperatives.

Credit supervision and technical/managerial assistance of COHBANA is almost entirely with the two reform groups and COHBASA. This assistance is financed through a 5.5% charge on each carton of bananas (40 lbs.) produced by these three borrowers (this amounts to about .33 Lempiras or .16 U.S. per box). A proposal for a .10 U.S. charge per box on all banana exports is being actively discussed within the government and, if approved, would replace the present charges.

COHBANA has had about 18 technicians working directly with Isletas; 9 are production/harvesting technicians, 2 are accountants/administrators, 6 are agronomic advisors, and 1 is the team coordinator. Cooperative Finca Tres receives direct COHBANA help from an accountant, one agronomist,

and 5 agricultural technicians (técnicos). COHBANA employees stationed with COHBASA include 2 irrigation engineers, 1 agronomist, 1 soils technician, 1 banana disease technician, 5 agricultural technicians, and 1 accountant. Additional staff work in the experiment station at Santa Inés.

COHBANA has had financial difficulties in recent years with the Isleta and other problems. As seen in Table 13, results from a study by an outside auditor in 1980 shows that credit turnover and financial solvency of the corporation has been declining steadily over the past four years. Some in government have proposed that COHBANA be dissolved but, if the proposed export charge is passed by government, this should give new life to the agency. If not approved, COHBANA will have great difficulty in repaying a \$20 million loan (17% interest) coming due to a consortium of foreign banks in 1982.

TABLE 12

SELECTED DATA ON LOAN ACTIVITY FOR COHBANA
AS OF DECEMBER 1980

RECEIVING INSTITUTION	DATE	LOAN AMOUNT	LOAN RECOVERY TO DATE	BALANCE TO DATE
E.A.C.I.	19-I-77	4,390,262.44	4,390,262.44	-.-
	19-XII-78	2,657,811.50	1,774,181.46	883,630.04
	19-XII-78	1,291,063.12	337,671.32	953,391.80
IDA Loan	14-V-79	2,000,000.00	-.-	2,000,000.00
	18-VIII-80	2,511,543.02	-.-	2,511,543.02
	18-VIII-80	2,215,677.12	-.-	2,215,677.12
	4-XII-80	700,000.00	-.-	700,000.00
	6-XII-80	2,711,462.82	-.-	2,711,462.82
Sub-Total		L. 18,477,820.02	6,502,115.22	11,975,704.80
COBAHSA	4-XI-76	1,600,000.00	133,073.99	1,466,926.01
	10-IX-77	177,400.00	45,898.03	131,501.97
	24-X-79	1,131,171.79	-.-	1,131,171.79
	XII-80	2,043,262.06	-.-	2,043,262.06
Sub-Total		4,951,833.85	178,972.02	4,772,861.83
Finca La Tres	22-VII-77	2,900,000.00	-.-	2,900,000.00
	6-XII-80	822,458.60	-.-	822,458.60
Sub-Total		3,722,458.60	-.-	3,722,458.60
Fondo Fidelcomiso (BANADESA)				
Banco de Occidente	4-IX-80	541,000.00	-.-	541,000.00
Edjardo H. Pellman	I-V-77	20,000.00	3,649.18	16,350.82
María Luisa Vda. de Castillo	I-V-77	65,000.00	-.-	65,000.00
Coop. Agua Blanca Sur	4-XII-77	23,802.67	11,977.86	11,824.81
Financiera Hondureña				
Agrop. Comercial	I-VI-79	90,000.00	10,000.00	80,000.00
Cagssa	22-IX-76	1,234,818.00	545,227.46	689,590.54
Sub-Total		1,974,620.67	570,854.50	1,403,766.17

Receiving Institution	Date	Loan Amount	Loan Recovery to Date	Balance to Date
Bananeros Independientes				
Coop. Guanchas Ltda.	15-VII-80	80,000.00	7,755.91	72,244.09
Luis Beltrán Benítez	7-VIII-76	2,550.00	2,550.00	-.-
José Canaca López	7-VII-76	4,650.00	4,650.00	-.-
Tomás Lara Dubón	7-VII-76	7,550.00	730.33	6,819.67
Juana L.V. de Alvarado	7-VII-76	5,800.00	475.37	5,324.63
Tiburcio Ordóñez	7-VII-76	2,100.00	2,100.00	-.-
Ma. Anta. R. Gonzalez	30-XI-76	2,000.00	2,000.00	-.-
Andrés A. Hernández	7-VIII-76	1,500.00	1,500.00	-.-
Damasio M. Romero	7-VIII-76	5,600.00	898.43	4,701.57
Alberto M. Castro	7-VIII-76	7,250.00	6,706.74	543.26
Petronillo de Dios Perez	7-VIII-76	900.00	900.00	-.-
Germán García	7-II-77	1,000.00	975.69	24.31
Jorge A. Vega Alfaro	4-IV-77	1,500.00	1,500.00	-.-
Sub-Total		122,400.00	32,742.47	89,657.53
Inversiones Corporativas				
Proyecto Santa Inés (Finca Experimental)		2,000,000.00	-.-	2,000,000.00
Sub-Total		2,000,000.00	-.-	2,000,000.00
Otros				
IHCAFE	19-XII-79	10,000,000.00	2,643,262.06	7,356,737.94
Banco Occidente	3-XI-80	1,500,000.00	-.-	1,500,000.00
Banco Occidente	4.XI-80	500,000.00	-.-	500,000.00
Sub-Total		12,000,000.00	2,643,262.06	9,356,737.94
		43,249,133.14	9,927,946.27	33,321,186.87

Source: COHBANA, San Pedro.

Table 13. COHBANA. INDEX OF CREDIT TURNOVER

<u>Year</u>	<u>Loans</u>	<u>Balance To Date</u>	<u>Average Balance</u>
1976	2.874.718.00	4.962.968.83	2.481.484.42
1977	7.578.965.11	7.598.046.79	6.280.507.81
1978	3.948.874.62	8.715.929.38	8.156.988.09
1979	13.221.171.79	19.261.427.01	13.968.678.19
1980	13.625.403.62	26.221.509.31	22.741.468.16

1976	=	$\frac{2.874.718.00}{2.481.484.42}$	=	1.16 times	$\frac{360}{1.16}$	=	310 days
1977	=	$\frac{7.578.965.11}{6.280.507.81}$	=	1.21 times	$\frac{360}{1.21}$	=	298 days
1978	=	$\frac{3.948.874.62}{8.156.988.09}$	=	0.48 times	$\frac{360}{0.48}$	=	750 days
1979	=	$\frac{13.221.171.79}{13.968.678.19}$	=	0.95 times	$\frac{360}{0.95}$	=	379 days
1980	=	$\frac{13.625.403.62}{22.741.468.46}$	=	0.60 times	$\frac{360}{0.60}$	=	600 days

FINANCIAL INDICATORS

	<u>Año 1976</u>	<u>Año 1977</u>	<u>Año 1978</u>	<u>Año 1979</u>	<u>Año 1980</u>
Solvency Index	1.03	4.97	0.7	15.54	3.16
Debt Index	91 %	89 %	93 %	99 %	105 %
Credit Turnover Index	1.16	1.21	0.48	0.95	0.60
Average Time of Recovery	310	298	750	379	600
Return on Investment	(1 %)	1 %	(5 %)	(3 %)	(8 %)

Source: COHBANA, San Pedro.

FACACH (Federación de Asociaciones Cooperativas de Ahorro y Crédito de Honduras)

FACACH is a cooperative savings and loan federation with 95 member cooperatives. Boyer has identified 64 of these as rural cooperatives. As of the end of 1980, over 35 percent of the FACACH loan portfolio (loans outstanding) or \$1,607,337 was for agriculture. During 1980, a total of \$1,223,728 was approved and withdrawn by member cooperatives. Of this, 36 percent or \$438,876 went to coffee and 18.3% or \$248,396 went to other crops, primarily corn and beans. The roughly two-thirds of the agricultural credit going to coffee was to help, some of the coffee cooperatives recover from losses in recent years.

Credit and other supervision is provided by FACACH in four main programs: 1) the Integral Advisory Program, 2) Specific Advisory Services, 3) Credit Production Program, and 4) the Integrated Agricultural Development Program.

The Integrated Advisory Program covers a period of approximately 3 months in each cooperative where FACACH advisors and cooperative leaders prepare diagnostic studies, program action plans, and training sessions in accounting and financial management. This program has reached 44 of the members cooperatives. The Specific Advisory Services are provided the remaining cooperatives upon call when they have problems. The FACACH central office has six specialists that implement this administrative and management assistance.

The remaining two programs focus on technical assistance to agricultural producers. The Credit Production Program reached 16 members cooperatives and 889 of their farmer members in 1980.

This program includes credit accompanied by technical assistance for preparing investment plans, feasibility studies, demonstration plots, and production recommendations. Six middle level agronomists (graduates of Zamorano or Catacamas) work with cooperatives in Danlí, Comayagua, and Olancho. They try to visit each cooperative once a week. A total of \$670,823 (L. 1,341,647) of credit was destined for this program in 1980. This accounts for about 68 percent of all loan disbursements made for agriculture during that year. Delinquency by cooperatives receiving Credit Production assistance varies from 6 to 50 percent of loans outstanding. However, much of the delinquency occurred before the Credit Production Program was initiated so one cannot conclude the program is in trouble. Actually, FACACH is pleased enough to date that it expects to expand this type of assistance. About two thirds of the credit in the production program went for coffee loans. Given the high arrears for coffee loans in recent years by other lenders, obtaining high repayment from these loans will be a real test for FACACH's credit supervision and production assistance programs.

The fourth program of supervision and assistance by FACACH is the Integrated Agricultural Development program, a joint project with the German government begun in 1976. The activities began in Catacamas in 1978 and in Yoro in 1980. This project includes construction of grain storage

and drying facilities, special credit for grain and cotton producers, technical assistance for the two crops, input supplies, agricultural mechanization, and storage and marketing of grain. Credit for \$72,337 was extended for 52 corn loans and 9 cotton loans (54 farmers total) covering 311 has. of land. Average loan size per farmer was \$1,340. Loan repayment was 97.2 percent at the end of the crop season. Two FACACH agronomists are assigned to each of the integrated projects. It was indicated no production technical help has been received from RR. NN. or from IHCAFE for these agricultural projects.

FACACH estimates that a member cooperative would need more than \$150,000 in loans to its members and charge an additional 3-4 percent interest to cover the cost of one agronomist to work with the cooperative. At present, FACACH charges 2-2.5 percent on each loan to member cooperatives to cover all of its administrative and supervisory costs. Total interest charge is 16 percent. This suggests the cooperatives receiving the more specialized agricultural assistance are not completely covering the costs of such services.

COHAAT (Cooperación Hondureño Alemana Alimentos por Trabajo)

This German supported food for work program has been experimenting some with providing credit and technical assistance to groups receiving food in the Departments of Choluteca and Valle. This part of their program began in 1979 and works only in the reform sector. The food for work program presently is helping 48 asentamientos and, of these, 17 groups are receiving technical assistance and credit. Each group averages about 15 members. The total amount lent to date is \$115,000 (total fund is \$125,000) Interest to farmer is 9 percent. Of this, BANADESA receives 2% as fiduciary. Eight groups were given financing for small irrigation systems the first year but many found no reliable water sources and delinquency was high (34% now). COHAAT now is moving away from irrigation and in to financing basic grains and draught oxen.

To obtain credit, a group is evaluated first by COHAAT to determine its potential. If considered appropriate for credit, a loan application form is completed which gives general information about the group and its land, experience, etc. Then COHAAT uses an innovative point system for evaluating and ranking applicants. A brief investment plan is prepared and all of the documents are sent to the main office in Tegucigalpa, A committee of INA, RR. NN., COHAAT, BANADESA, and Ministry of Hacienda representatives reviews the applications and makes final

approval. This process, of course, often leads to considerable delay. An "Informe de Control" is prepared to justify each loan disbursement. One Honduran agronomist is in charge of the credit and supervision activities. The groups are visited about twice per month for 1-2 hours each visit. COHAAT has not had immediate success. Problems were immediately encountered with the irrigation loans. Also, many farmers do not readily accept the collective system so it is difficult to get them to work on the fields run jointly. Further, they expect 100% financing but COHAAT has a policy of providing credit only for non-labor expenditures, which is different when compared with most other credit that is mostly for labor (perhaps a reason for high delinquency).

A Summary and Assessment

Even with a limited review of the credit programs in Honduras, it is obvious that very little supervision accompanies agricultural loans, especially to small farmers. As a minimum, all loan applications require an investment plan, even if it is a few lines listing the activities to be financed. The World Bank project in the Central Bank, the Guayape Project financed by BID, and the now dissolved PROTECPA farm planning team produced very detailed investment or whole farm plans which required considerable data from the borrower or such data had to be estimated. It appears that few of these more elaborate plans are implemented after loan approval. Thus, one must ask if it is really worth the effort. Did the plan produce more reliable data for borrower selection? Did it lead to improved credit use or repayment? Did it improve scheduling of services and provision of inputs? Unfortunately, there is little evidence that concentrating limited resources into preparing plans has had any positive impact on these questions. This is not to say that some investment planning is not needed or that some of those supervised credit efforts have not succeeded. However, what is to be gained by preparing separate investment plans for 30 local cooperatives as a basis for a regional cooperative loan using exactly the same costs and yield assumptions for each (as is now done by the EROI's)? One could argue that these resources would be better used in assisting groups with credit to produce results rather than plan for them. Financial, accounting and management skills are seriously lacking in the reformed sector and need to be developed. Further, little or no technical assistance is available on a continuing basis. Thus, these are areas in greater need of government input than planning.

Along this same line, a recent A.I.D. Project Paper for a coffee loan proposes that each borrower be required to prepare a whole farm plan as a prerequisite for the loan. In light of the previous discussion, this requirement needs to be re-examined. If it were implemented, who would do the whole farm planning? The farmer? How many coffee extension agents would be needed just to prepare farm plans?

The major problem facing the agricultural sector is that most technicians assume an inappropriate role for credit. It is generally assumed that lack of operating capital is a primary constraint to agricultural development. The more credit, the more likely development. The high delinquency figures for agricultural loans for many segments of the rural population suggests that may not be a valid assumption. Other essential ingredients like profitable technology, markets, organization, and minimum human capital and skills may be needed before or at least along with credit.

VIII

AGRICULTURAL CREDIT USE BY THE HONDURAN
REFORMED SECTOR: AN ANALYSIS AND
RECOMMENDATIONS FOR THE FUTURE

by

Jerry R. Ladman
and
Randy Stringer

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I. INTRODUCTION

Concept of Reformed Sector

The reformed sector consists of that complex of farm and household activities undertaken by the beneficiaries of land reform on lands that have been redistributed under the Honduran land reform process. The beneficiaries of the redistributed land have largely been the rural landless or those with extremely small landholdings. When land is redistributed the beneficiaries are mostly formed into collective organizations called *asentamientos* but some have been organized as *empresas asociativas* (associative agricultural enterprises).¹ For purposes of this report both types of organizations will be called by their generic name "reform groups."

The Size of The Reformed Sector

At the end of 1980 there were 1,369 reform groups. In comparison to the total rural sector, we estimate that these groups occupy about 8 percent of the farm land and consist of about 9 percent of the total rural families.

In contrast, the most recent (1974) agricultural census showed that at that time that 44 percent of the rural families were classified as "landless" and that 43 percent were farming units from one to thirty-five hectares in size. There is still considerable inequality of land distribution. In 1974 only 3 percent of the landholders farmed 57 percent of the land.²

The "Problem" of the Reformed Sector

Honduran land reform is a relatively recent process with more than 80 percent of the redistribution taking place since 1972 and virtually all of the redistribution occurring since 1962. It is important to realize that most of the lands redistributed have come from the public sector, national and *ejidal* lands,³ and that a relatively small proportion has come from private property. These two factors combine to create a problematic setting for the reformed sector in a number of ways.

First, the newness and the rapidly expanding land reform program has created problems for the Honduran government in establishing an effective institutional infrastructure to implement and administer the land redistribution process and to provide production-oriented services such as credit, roads and irrigation as well as social services such as education and health to the newly formed groups. The sheer nature of this organizational problem has been exacerbated not only by a shortage of human and financial resources but also by a number of governments that have been less than enthusiastic about land reform.

In the face of this the government has been effectively pressured by the several strong *campesino* organizations who have been pushing for government action to solve the small-farmers' problem starting with the redistribution of land. Much of the credit for the advances in land reform to date can be given to these organizations.

In recent years, in their concern for distributional justice, considerable foreign assistance has been directed to the reformed sector. The U.S. Agency for International Development (AID), The Inter-American Development Bank (IDB), and the World Bank (IBRD) have been active in attempts to help

alleviate the financial and human capital shortages and to strengthen governmental institutions that work with the reform sector.

Second, many of the reformed groups have been established on public lands that are of low productive quality or are in need of additional infrastructure such as irrigation to make them productive. Thus, in their present state, they are only marginally economically viable. This situation, taken in combination with internal difficulties inherent in organizing a new reform group and providing them with the above-mentioned services has created serious problems for many of the groups. In many cases beneficiaries have decided to leave the group to seek a better lot elsewhere. Many of the groups have obtained credit from the National Agricultural Development Bank (BANADESA) or its predecessor the National Development Bank (BNF) but because of bad production conditions or improper planning (often done by government technicians) they have not repayed their loans, and, unless they were to have their loan refinanced, are not eligible for more credit until the delinquent loan is repayed.

Third, there is considerable pressure by the landless to obtain land. With a high rural population growth rate and rising expectations of the rural populace for a better life, these pressures are sure to increase in the future. To date most of the pressures have been satisfied by redistributing public lands. Given the relatively small amount of private land that has been redistributed to date and the large numbers of the rural landless there is certain to be more pressure to begin to encroach on these lands.

In summary, Honduras currently faces, and will continue to encounter, two major sets of problems with respect to the reformed sector. First, they need to plan for accommodating the increasing pressures for additional land reform, a factor that is sure to be influenced by recent events in Nicaragua and El Salvador. This will be a difficult task given the likelihood of the need to begin to redistribute private lands.

Second, and to the point of this paper, is the need to improve the services available to the reform groups. Such services include better selection of lands, improved marketing, better access to productive inputs, productive infrastructure, credit and the whole array of social services.

Should the government not make sufficient progress on either of these two sets of problems it can be expected that there will be considerable pressure, that might lead to political instability, arising from *campesinos* and the *campesino* organizations.

Objectives of This Paper

The principal objectives of this paper are to analyze the current use of agricultural credit by the reform sector and to make recommendations about the need for future credit. In particular, emphasis will be placed on analysis of current credit delivery systems and recommendations for effecting more efficiency in the process.

Organization of Paper

In order to place the credit question in proper perspective it is necessary to see how it fits within the total context of the complex reformed sector. To this end the paper begins with a brief overview of the history of the Honduran land reform movement.

Second, there are brief sections describing the roles of key institutional elements for reformed sector agricultural credit. These are: the reform groups; the *campesino* organizations; and government institutions.

Third, an overview of credit to the reformed sector is presented. This includes credit to reform groups and members of groups.

Fourth, there is an analysis of credit delivery systems used by lenders to the reformed sector, including those of the informal market.

Fifth, the relationship between credit and sources of income is analyzed.

Sixth, a summary, conclusions and recommendations for credit programs to the reformed sector are presented.

II. HISTORICAL OVERVIEW OF HONDURAN LAND REFORM

Introduction

To understand the current state of Honduran land reform and the reformed sector it is important to place them in historical context. There are three readily discernible periods in the history of the country's land reform. The first, from 1898 to 1961 is a long period of legislative acts to settle idle public lands. However, it wasn't until 1951 that much action was taken. The second, from 1961 through 1972, is when Honduras, like many Latin American nations, established a token land reform program to comply with the requirements of the Alliance for Progress. The third, after December 1972, is a period of a rapid land redistribution for the first two years followed by a period of much lesser land redistribution up to the present time (1981). Of particular importance in these periods is the attitude of the different administrations with respect to land reform, the role of *campesino* organizations in pressuring the government and the development of a legislative and institutional framework to administer and implement land reform.

Period I: 1898-1961

The Agrarian Law of 1898, to settle and develop public lands, was the first of a series of legislation to bring productive public land into cultivation. Between 1924 and 1949 there were thirty-four government decrees to set aside specific lands in family farm sized units. However, despite these many laws it wasn't before 1951 until the government undertook large projects to settle significant numbers of farm families. From 1951 through 1961 seven projects were established providing 33.3 thousand hectares of land to 2.3 thousand farm families.⁴ The Ministry of Natural Resources (MRN) was responsible for administering these projects.

Period II: September 1962 - December 1972

The United States required that a Latin American country must have begun a land reform program in order to be eligible for foreign aid under the 1961 Alliance for Progress. To comply with these conditions, in March of that year the Honduran government of President Villeda Morales established the National Agrarian Reform Institute (INA) to develop land reform legislation and eventually to oversee the process, once it began. In September of 1962 the first Honduran Land Reform Law was passed. It contained provisions for redistributing public lands and idle private lands. In October of 1963 Villeda Morales was overthrown in a military coup headed by Col. López Arellano, a conservative who had little interest in promoting land reform. INA became virtually inactive.

By 1965 a relatively new *campesino* organization, the National Association of Honduran Campesinos (ANACH), disgusted with the inactivity of the land reform program began to bring pressure on the López government. An extensive propaganda campaign and the threat of a massive ANACH-organized hunger march on Tegucigalpa finally caused the government to give in and agree to revitalize INA and continue land reform.

By mid-1967 this was accomplished but it wasn't until 1969 that land redistribution began to accelerate; as shown in Table 1 between 1969 and 1972 a total of 154 groups were organized benefiting 8,176 farm families and redistributing 30,457 hectares of land. Compared to the 1962-1968 period this was enormous progress. In those six years only twenty-three groups had been formed, 900 families had been benefited, and 5,504 hectares redistributed.

However, the pace was not fast enough in the eyes of the *campesino* organizations, especially after the conservative civilian government of Ramon Ernesto Cruz came to power in the 1971 elections. Land invasions increased

TABLE 1

Reformed Sector: Number of Groups Formed, Number of Members and Land Adjudicated from 1962-1980

Year	Number of Groups Formed	%	Membership				Adjudicated	%	Hectares	
			Initial	%	Current ^a	%			Cultivable ^b	%
1962-1968	23	1.7	900	1.8	982 ^c	2.5	5,504	2.4	4,414	2.4
1969-1972	154	11.2	8,176	15.0	6,271	16.4	30,457	13.2	27,107	14.7
1973-1980	<u>1,192</u>	<u>87.1</u>	<u>42,110</u>	<u>82.2</u>	<u>31,043</u>	<u>81.1</u>	<u>194,637</u>	<u>84.4</u>	<u>153,189</u>	<u>82.9</u>
Total	1,369	100.0	51,186	100.0	38,296	100.0	230,598	100.0	184,710	100.0
1973	224		8,674		5,351		32,454		21,120	
1974	287		9,828		7,204		47,098		37,849	
1975	186		6,751		6,128		37,252		29,949	
1976	182		6,724		4,471		26,913		18,787	
1977	106		3,381		2,462		15,985		11,568	
1978	42		1,745		1,316		5,415		4,396	
1979	93		2,507		1,611		9,005		9,005	
1980	72		2,500		2,500		20,515		NA	

Source: 1962-1979, INA, Depto. de Planificación, Sección de Estadística e Información.
 1980, Plan operativo anual y presupuesto 1981, Tegucigalpa: INA, p. 12.

^a Current membership represents the number of members at the end of 1979 except for 1980. In 1980, current membership was not available so initial membership was used.

^b Cultivable area was defined by group members and not by an agronomic study

^c The increase in current membership compared to initial membership in the 1962-1968 period came from one year, 1967. Initial membership in 1967 was 190, current membership was 373. In all other years current members are less than initial members.

and ANACH, stronger than before, threatened another massive hunger march on Tegucigalpa for December 6, 1972. It did not come to pass because on December 4 General López Arellano again came to power in a military coup that would embark on the largest land redistribution program in Honduran history.

It is noteworthy that it was during the 1967 reorganization period that the land reform movement began to be highly biased toward the collective mode of farming. There are two principal reasons. First, lands which had been abandoned by the foreign banana companies were some of the major ones redistributed and the *campesinos* on those lands had been accustomed to collective-type operations. Second, it quickly was recognized by INA and the National Development Bank (BNF and BANADESA's predecessor) that there were considerable economies of scale in delivering services and credit in this mode.

Period III: December 1972 - Present

One of the first acts of the new military government was to issue Decree No. 8, which provided for a temporary program of land reform until a new land reform law could be enacted. In January of 1975 the new Land Reform Law was issued as Decree No. 170. In the intervening period under Decree No. 8, land reform exploded. Some 623 groups were formed on 76,262 hectares of land that benefited 23,627 families.⁵ Much of this redistribution came about as a result of massive land invasions organized by the *campesino* organizations. As of 1980 about 45 percent of the groups and families benefited and one-third of the redistributed land are attributable to the activity during this two-year period.

Only 18 percent of the land redistributed came from private property⁶ and much of this was from the banana plantations abandoned by the foreign companies after the 1974 Hurricane Fifi destroyed many of the banana trees. The remainder of the redistributed lands came from public property.

Decree No. 170 was much more complete and complicated than the 1962 Land Reform Law. It specified conditions for privately held lands that would make them ineligible for redistribution. Important were limits on farm size depending on land quality, geographical location and production potential. While appearing to set limits on privately held land the Decree actually benefited these landowners by including provisions for time-consuming appeals in adjudicated cases. Moreover, the upper size limits on landholdings were announced in advance such that many owners had time to make appropriate adjustments in their land titles.

The new law also gave INA a stronger position by elevating its director to membership on the president's cabinet. However, at the same time a National Agrarian Council was formed to advise INA on implementing land reform in accordance with national development plans. In effect this relegated INA to a subordinate role under the Council.

More conservative forces were gaining influence in Honduras and in 1975 López Arellano was overthrown in a coup led by Juan Alberto Melgar Castro. The combination of the new complicated law and more conservative leadership caused the pace of land reform to slow considerably, much to the dismay of the *campesino* organizations. In October of 1975 in an unprecedented event, ANACH and two other competing organizations, The National Campesino Union (UNC) and the Honduran Federation of Reformed Sector Cooperatives (FECORAH), joined to form the *Campesino* Unity Front (FUNC) to protest the Melgar government's lack of concern for *campesino* needs and demands. A new director of INA was named but he was unsuccessful in meeting the *campesinos'* demands and in 1977 the number of new reformed groups created fell by almost 72 percent compared to the previous two years.

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It is noteworthy that it was during the 1967 reorganization period that the land reform movement began to be highly biased toward the collective mode of farming. There are two principal reasons. First, lands which had been abandoned by the foreign banana companies were some of the major ones redistributed and the *campesinos* on those lands had been accustomed to collective-type operations. Second, it quickly was recognized by INA and the National Development Bank (BNF and BANADESA's predecessor) that there were considerable economies of scale in delivering services and credit in this mode.

Period III: December 1972 - Present

One of the first acts of the new military government was to issue Decree No. 8, which provided for a temporary program of land reform until a new land reform law could be enacted. In January of 1975 the new Land Reform Law was issued as Decree No. 170. In the intervening period under Decree No. 8, land reform exploded. Some 623 groups were formed on 76,262 hectares of land that benefited 23,627 families.⁵ Much of this redistribution came about as a result of massive land invasions organized by the *campesino* organizations. As of 1980 about 45 percent of the groups and families benefited and one-third of the redistributed land are attributable to the activity during this two-year period.

Only 18 percent of the land redistributed came from private property⁶ and much of this was from the banana plantations abandoned by the foreign companies after the 1974 Hurricane Fifi destroyed many of the banana trees. The remainder of the redistributed lands came from public property.

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In August of 1978 the Melgar government was replaced by General Policarpo Paz Garcia who has remained in power to date. Under his administration the land reform fell to annual levels similar to 1969-1972 period. The *campesino* organizations again voiced their protests. In November 1979 for the second time, the competing organizations, joined together under the Honduran National *Campesino* Front (FUNACPMH) to place their demands before the government. As in 1975 they were successful in replacing the head of INA, but little else. In March 1980, FUNACPMH organized a massive land invasion on some 6,000 hectares of unoccupied lands located in four departments which resulted in many new groups being formed in that year.

Regional Distribution of Reform Groups

As shown in Table 2 the land reform process has been concentrated in three regions of the country. In January 1980, 46 percent of the groups were in the North and Atlantic Coast regions and accounted for 65 percent of the total redistributed land. This concentration is because it was in these regions that lands were formerly under control of the foreign banana companies and where the *campesino* organizations concentrated these land reform activities. The South, near Choluteca, is the third region where land has been heavily redistributed.

TABLE 2
Regional Distribution of Reform Groups
(January 1980)

Region	Groups	Land Ajudicated (Has)	Cultivable (Has)
Atlantic Coast	208	64,941	62,994
North	410	56,603	40,176
West	138	12,988	8,239
Center	106	20,400	10,891
South	222	26,557	18,313
East	108	19,982	12,835
Olancho	105	8,612	6,333
Total	1,297	210,083	159,781

Source: INA, Depto. de Planificación, Sección de Estadística e Información.

Summary

It is clear that land reform is a relatively new phenomenon in Honduras. As a process it has ebbed and waned depending upon the administration in power. The *campesino* organizations, especially ANACH, have played important roles in championing the *campesinos'* causes and pressuring for land reform.

Since over 98 percent of the reform groups were established since 1969 this has been a period of efforts to not only to redistribute land and organize the individual groups but also create an infrastructure to administer the land reform process and provide the complementary economic and social services necessary for it to succeed. There has been considerable pressure on the government to provide these services, a difficult task in light of their limited human and financial capital. This situation is still very real today, especially in view of the apparent need for continued land reform, as described in the

Introduction to this paper. The growing strength of the *campesino* organizations will be a factor in speeding this process along. The future problem is likely to be made more complex by the need to begin to redistribute domestically owned private lands, which to date have not been heavily impacted by the land reform process.

The fact that many groups were settled on marginal lands has created many problems that have impacted both on the stability of the groups and their economic productivity. A symptom of the former, shown in Table 1, is that only 75 percent of the number of farm family units initially benefiting from land reform remain within the reformed sector. The others have left, presumably dissatisfied. Another symptom is the large numbers of groups who were not able to repay loans to BANADESA and, as such, are ineligible to receive additional credit until the delinquent loans are repayed. This practically immobilizes their potential for growth and makes them victims of the vicious circle of poverty for lack of access to investment capital.

In short, much has been done. However, much has not been effective in creating a viable reformed sector capable of long-term growth. To be sure there are many very viable reform groups, but they are the exception rather than the rule. Therefore, current efforts need to be developed to correct wherever possible the deficiencies of the past, and, where that is impossible to better cope with the inherent problems. Moreover, it is necessary to develop an infrastructure and a set of policies that will avoid these problems for land distributed in the future.

III. KEY INSTITUTIONS IN THE REFORMED SECTOR

Reform Groups

Formation and Structure

A reform group is formed and structured according to the land reform law. Many began with land invasions by landless rural dwellers. Others begin with a formalized system of petitions for land. The *campesino* organizations play an important role in mobilizing *campesinos* to form a group both by means of invasion or petition. INA is responsible for formally assigning land to the group and its legal formation.

The land reform legislation provides for the amount of land space that is assigned to a group. The land space per member is a function of land quality. The total space assigned to a group is therefore a function of the number of members in the group.

A group will typically have between twelve (the legal minimum for *asentamientos*) and about thirty-five members.⁷ There are some groups that have less than the minimum members, resulting from attrition, and some that have upwards to 200 members.

Most reform groups are single units but about one-third have been formed as part of large projects that have been developed in areas of perennial agricultural crops (see "INA" section below for a more detailed discussion). About 84 percent are affiliated with *campesino* organizations, (see the "*Campesino* Organization" section below for a more detailed discussion).

Administration

Each group is administered by a set of officers elected by the general assembly consisting of all group members. The elected offices are president,

vice president, secretary and treasurer. A vigilance committee is also elected to review to actions of the elected officials in order to ensure their honesty and compliance with the statutes of the group. In practice the officers are in close contact with the general membership. It is common that meetings of the general assembly are held on a weekly basis at which time all important matters are thoroughly discussed.

Land tenure. The group is the owner of the group's land. Upon formation, the group assumes the responsibility to pay to the Honduran government a fixed amount of money over a twenty-year period for their land, in order to own the land outright.

Farming operations. The group decides the manner in which the land will be farmed. There are three typical modes. The first is the collective mode, where most of the land is farmed as a collective unit for the production and marketing of crop and/or livestock enterprises. Individual members are assigned small plots, usually adjacent to their land, for production of basic foods for their family including grains, fruits, vegetables, chickens and livestock.

In the collective mode the general assembly decides what enterprises will be undertaken. Individual members are then assigned tasks in the production process. Records are kept of the number of days worked and each member is paid a predetermined and uniform daily wage—out of the group's working capital. At the end of the fiscal year the net income from the collective enterprises is kept as retained earnings in the group, presumably to be used as capital for reserves as well as future operations and investments, and/or distributed to the membership. Of the amount designated for distribution a member will receive a proportion equivalent to the number of days worked by that member in relation to the total number of days worked by the entire membership. Some groups give the member the option of placing his distribution as an interest-earning deposit with the group, but few do.

A second mode of production is the individual. In this mode each member works a preassigned plot of group land on an individual basis and makes his own decision about farm enterprises and operates virtually as an independent farmer. In some groups the assigned plots are rotated annually among the members to even out differences in land quality over time.

A third mode is a mixed or combination of the first two. In this mode farmers have more sizable individually farmed plots than under the collective mode but also have collectively operated enterprises on common land such as cash crops or livestock. Of the three modes this is the most common.⁸

It is typical that groups affiliated with *campesino* organizations follow the collective or mixed mode. These organizations strongly favor and encourage the joint or cooperative aspects of working together as a group in the production process. Indeed, FECORAH will work only with groups that are highly committed to the collective mode.

Credit

Many groups obtain operating or medium-term investment capital, say to purchase livestock or machinery, via credit. The group itself only can obtain credit for collective projects, thus, those organized in the individual mode are excluded from obtaining credit. Under any mode individual members of the groups may obtain personal loans and many do. BANADESA, however, will not make a loan directly to a group member.

The loan is made to the group with the members assuming joint liability for repayment. Collateral is typically in the form of chattel mortgages on the group's livestock and machinery. In the case of short-term credit, a lien on the expected crop is usually sufficient. In many cases INA serves as a guarantor in order to provide additional collateral when the group is lacking of sufficient mortgable property.

Campesino Organizations

Reform Group Affiliation

The *campesino* organizations have played an important role in the development of the reformed sector. Each works hard to establish and then affiliate the various groups with their organization in order to strengthen their organization and thus better serve their membership. To this end they assist the group in its formation and offer it various services such as cooperative and leadership training and assistance in obtaining credit. Very importantly they represent the interests of their membership with the government. They have often sponsored land invasions by the landless in order to hasten the land reform process.

In 1979, 84 percent of the reform groups were affiliated with one of the three main *campesino* organizations—ANACH, FECORAH and UNC. The other groups either belong to local *campesino* organizations or are unaffiliated and are known as independents.

TABLE 3
Reform Group Affiliation with *Campesino* Organizations, 1979

Campesino Organization	Reform Groups		Membership			
	No.	%	Initial No.	%	Current No.	%
ANACH	566	43.6	20,310	43.4	14,630	43.6
UNC	355	27.4	11,577	28.4	7,523	22.4
FECORAH	171	13.2	7,176	15.3	5,097	15.4
Independents and others	205	15.8	7,695	16.5	6,332	18.8
Total	1,297	100.0	46,758	100.0	33,582	100.0

Source: INA, Depto. de Planificación, Sección Estadística e Información.

ANACH is the largest organization with almost 44 percent of the groups. UNC and FECORAH follow with 27 and 13 percent respectively. As shown in Table 3 it is noteworthy that there has been considerable attrition of membership over time, almost a 40 percent decline. This suggests that a number of groups disaffiliated with organizations, perhaps due to dissatisfaction with the services promised by the organizations.

The previous section discussed the role of the *campesino* organizations in the historical process of land reform. The following subsections describe the three major organizations and the independents. A brief overview of the historical evolution of each organization is presented followed by a description of their credit role.

Antecedents

When the *campesinos* organized during the 1950s, before a land reform law had been enacted, their principal purpose was to defend themselves against the encroachment of their lands by larger property owners who were trying to expand their resource base. After the 1962 Agrarian Reform Law their mission changed to pressing for land reform. Their principal methods were land invasions and petitions.

The first *campesino* organization grew out of the labor union movement in the banana plantations. In 1954 a banana plantation workers labor union was formed after many workers lost their jobs following a strike on the North Coast. By the late 1950s these workers had organized the Central Committee of *Campesino* Unification. In 1961 the National Honduran Federation of *Campesinos* (FENACH) was formed as the first *campesino* organization. However, it was dissolved by the military government that came to power in October of that year.⁹

ANACH

In September 1962 the Honduran National Association of Campesinos (ANACH) was developed, with AFL-CIO support, from a banana workers union, the Workers Federation of Northern Honduras (FESITRANH). Its objective was to support the new land reform. Initially it operated only on the North Coast but by the end of the 1960s had become national in scope, organizing land invasions throughout the country.¹⁰ In this period ANACH was the most active *campesino* group organizing land invasions and successfully pressuring the government on the *campesino's* behalf. The previously discussed hunger marches are examples of the latter. There were full-time ANACH activists located in twenty-eight designated zones throughout the nation.

Regional cooperatives. In 1967 ANACH became directly involved in credit when it established a Cooperative Plan, a system that functioned as a central cooperative to assist its member groups in obtaining agricultural inputs and credit. It functioned until the middle 1970s when it became unwieldy due to the rapid expansion of reform groups under Decree No. 8.

In 1977 plans were made to create a new system of regional cooperatives to replace the central cooperative and provide services to the number groups. By 1981 there were fourteen regional cooperatives established of which seven had received credit from BANADESA to disburse to their member groups. Each of these cooperatives has as members a number of reform groups, ranging in number from 7 to 48. The regional cooperative is designed to provide a number of services to their member groups including obtaining credit, providing farm inputs, improving farm technology, establishing agro-industries, sponsoring educational programs for leaders, and assisting member groups in matters of administration. However, in practice their efforts have been largely confined to assisting their members in administrative matters, leadership training, and

in obtaining credit. There is considerable variance among the cooperatives in terms of the services provided.

In the case of credit the procedure is simple. The member groups decide on their production needs. The regional cooperative consolidates these requests, evaluates the credit requirements and then goes to the lender, usually BANADESA, to obtain credit for the consolidated amount. The regional cooperative then disburses the borrowed funds to its member groups in accordance with the predetermined plans. The various groups who are members of the cooperative assume joint liability for repaying the loan.

Inter-institutional teams. In 1980 the federal government established an inter-institutional system to provide technical assistance to these regional cooperatives on a broad range of economic and social matters. At the national level this system is administered by National Inter-institutional Teams (ENI). At the local level the Regional Operative Team (EROI) implements the program. A discussion of this system follows in the section on government institutions.

UNC

The National Campesino Union (UNC) also got its start from the organized labor movement. In 1964 the Christian Democratic Party formed a *campesino* union, the Honduran Association of Social-Democratic *Campesinos* (ACPSCH) in Choluteca. In 1968 it went national and changed its name to the Honduran National Federation of *Campesino* Workers (FENTCH). FENTCH actively organized land invasions. In 1970 FENTCH reorganized as UNC.

Both FENTCH and UNC have had a more world-wide orientation than ANACH and FECORAH. They have affiliated with regional and world labor organizations, a factor that perhaps explains their more extreme positions on labor matters compared to the other two organizations.

UNC has a national office and twelve regional offices throughout the country. It has organized three regional cooperatives similar to those of ANACH, but they have not been developed as fully as those of ANACH.

FECORAH

The Honduran Federation of Reformed Sector Cooperatives (FECORAH) began in 1970 as a federation of reformed groups. In contrast to UNC and ANACH its initial interests were mostly oriented towards forming cooperatives for production and not as an activist movement. INA assisted in its organization. Over time it has become more activist, but not as much as its two competitors.

Currently FECORAH has a national office and three regional offices which provide services to its member groups, which are basically educational and organizational in nature. They do not obtain credit for their members but will assist members in loan applications. The member reform groups deal directly with the lender.

Independents

A small portion of the reform groups, approximately 16 percent, have either never affiliated with one of the national *campesino* organizations, or have disaffiliated from an organization. There appears to be a variety of reasons why these groups, known as independents, have chosen to remain unaffiliated or have drifted from their association with the *campesino* organizations. The list of reasons includes problems with organizing group members, lack of interest in the collective production mode, inability to pay union fees or dissatisfaction with the services provided by the *campesino* organization. Whatever the reason, however, the independents are in general located on the poorest quality land and are the least accessible of all reform groups in the sector.

The independents are found in all regions of the country and, in contrast to those affiliated with *campesino* organizations, in most cases employ a completely individual farming mode rather than the collective or mixed modes.

Although the independents do not farm collectively they nevertheless have elected officials who act as their representatives when needed. Few of the independents have access to BANADESA credit since most farm individually, but some of these groups will apply and obtain credit for livestock, using their pasture area as a collective project.

Government Institutions

INA

The National Agrarian Reform Institute (INA) was established in 1961 to develop the first Honduran land reform legislation and to implement the land reform program. In this capacity it has been the central government institution involved in working with the reform sector. INA's role, however, has been modified especially as more government agencies have been created or have been given new changes to work with the reformed sector. For example, in 1975 under Decree 170 INA was given cabinet status and simultaneously was placed under the umbrella of the National Agrarian Council. Also in 1980 the Inter-institutional Team system was established to work with the reformed groups.

INA has been very subject to political forces. It is always caught between the government and its constituents, the reform groups. The *campesino* organizations lobby INA regularly. In the past when protesting their dissatisfaction with the land reform movement and services provided to the reformed sector, they have caused several INA directors to lose their jobs.

Organizational structure. The current organizational structure of INA was established in 1980 and consists of four divisions: (1) Affection and Adjudication of Land, (2) Capacitation and Rural Development, (3) Planning and (4) Administration. The first is responsible for all matters dealing with location of new groups and land titles. The second deals with the organization of the beneficiaries and the provision of services to them, including credit. The third is for long-range planning and the fourth is for administering INA.

Subsectors. INA has divided the reform sector into two subsectors for purposes of administration and provision of services. The first is the concentrated subsector that administers reform groups on the nine project areas, located throughout the country, that specialize in permanent and semi-permanent crops (such as african palm, cocoa, citrus, nuts, sugar cane and tobacco, livestock and cotton). In January 1980 there was a total of 403 reform groups in this subsector, which accounted for 31 percent of the total groups and 54 percent of the cultivable land (see Table 4).

TABLE 4
INA Concentrated Sector: Number of Projects Groups and Cultivable Area
January 1980

Project	Reform Groups	Land Adjudicated (Has.)	Cultivable Land (Has.)
Bajo Aguan	86	50,064	50,064
La Masica	63	7,390	6,599
Puerto Arturo	28	4,223	3,459
Tabaco	19	2,214	1,580
Guaymas	53	6,523	5,746
San Manuel	31	5,705	5,379
San Bernardo	85	11,970	8,909
Ola-Monjarás	29	2,806	2,466
Jamastrán	9	1,943	1,598
Total	403	92,838	85,800

Source: INA Departamento de Planificación, Sección de Estadística e Información.

The second is the consolidated subsector which encompasses all other groups. In January of 1980 there were 894 groups in this subsector, which accounted for 69 percent of the total groups and 46 percent of the cultivable land.

TABLE 5
INA Consolidated Subsector by Region
January 1980

Region	Reform Groups	Land Adjudicated (Has.)	Cultivable Land (Has.)
Atlantic Coast	36	3,264	2,912
North	326	44,375	29,051
West	119	10,774	6,659
Central	106	20,400	10,891
South	108	11,781	6,938
East	99	18,039	11,237
Olancho	<u>105</u>	<u>8,612</u>	<u>6,333</u>
Total	894	117,245	73,981

Source: INA Departamento de Planificación, Sección de Estadística e Información.

Credit. The Rural Administration Program in the Division of Capacitation and Rural Development is the unit responsible for INA's credit program. In this capacity they work with both reform groups and credit institutions in preparing loan applications and in recovering delinquent loans. INA representatives are members of the inter-institutional teams that work with the regional cooperatives. They also project annual credit needs for the reform sector as part of the national planning exercise.

Formerly INA made loans directly to the reformed sector, especially for machinery. This has been discontinued. INA has a loan guarantee program to provide collateral for loans to groups that have insufficient mortgagable property. In 1980 INA guaranteed approved loans valued at 13 million lempiras. Of this amount 6 million lempiras were disbursed. There were 346 groups that received this guarantee which we estimate to cover about two-thirds of groups receiving BANADESA and commercial bank loans. Lending institutions participating in this program were BANADESA, commercial banks and the Central Bank (for some rediscount funds). Loans for virtually all types of livestock and crop enterprises were guaranteed. This program, although effective in meeting the collateral requirements for lenders to extend credit, is not successful in ensuring loan repayment because INA has virtually exhausted its reserves set aside for this purpose.

BANADESA

In 1950 the National Development Bank (BNF) was founded and had two broad responsibilities, to serve as both an agricultural bank and a development bank. In addition to providing agricultural and development-oriented credit it carried out regular commercial bank functions and was responsible for managing a number of special activities such as grain stabilization programs, procurement of farm supplies and consumer goods stores for low-income families. In 1980 the Bank was reorganized and renamed the National Agricultural Development Bank (BANADESA).

Since the first land reform law in 1962 the Bank has always been assigned the principal responsibility of providing public sector credit to the reformed sector. Not only have domestic resources been used for this purpose but also the Bank has been the repository for a number of credit programs financed by international donors of foreign aid.

BANADESA is the principal supplier of credit to the reformed sector. We estimate that they provided nearly 80 percent of the credit volume to that sector in 1980.

As shown in Table 6 over the period 1977-1980, 23 percent of BANADESA's loan volume was directed to the reform sector. Twenty-two of the twenty-eight regional offices made loans to the sector. It is noteworthy that the current amount of credit flow to the reformed sector, as measured in current lempiras, remained at almost the same level between 1978 and 1980. In real terms it has declined. The proportion of BANADESA's portfolio directed to the reformed sector has also remained constant since 1978. Between 1977 and 1978 the loans to the reformed sector increased more than threefold, basically due to large rises in lending for African Palm.

TABLE 6
BANADESA Loans to Reformed and Non-Reformed Sectors, 1977-1980
(Thousands of Lempiras^a)

Sector	1977	%	1978	%	1979	%	1980	%	Total	%
Reformed	10,589.9	12	34,245.5	28	30,945.3	23	32,425.3	26	108,206.0	23
Non-Reformed	80,480.1	82	87,369.4	72	105,768.5	77	93,031.9	74	366,649.9	77
Total	91,979.0	100	121,614.9	100	136,713.8	100	125,457.2	100	474,855.9	100

Source: BANADESA, Depto. de Estudios Económicos.

^a 1 Lempira = .5 U.S. dollar.

The reader is referred to the following section on the "Overview of Credit" for a more detailed discussion of these credit flows and their regional and enterprise distribution. Also to the Chapter on BANADESA prepared by Douglas Graham and Carlos Cuevas. A detailed analysis of the BANADESA credit delivery system is contained in the present report under the section entitled "Credit Delivery Systems."

DIFOCOOP And INFOP

There are two other government agencies involved with the reform sector directly and with reform groups' credit use indirectly. They are the Directorate for Cooperative Development (DIFOCOOP) and the National Institute of Professional Development (INFOP). DIFOCOOP is the government institution charged with forming, inspecting and supervising cooperatives organized under Honduran cooperative legislation. INFOP, created in 1972, has agreements with INA, ANACH and UNC to provide technical assistance courses to the reform groups, usually a week or two in length.

DIFOCOOP was created in 1954 by the Honduran Cooperative Law and restructured to coordinate with the National Development Plan in 1975. Since many reform groups, especially FECORAH affiliates, organize under The Cooperative Law, DIFOCOOP is responsible for supervising this subset of the reform sector.

DIFOCOOP's major contribution to the reform groups organized as cooperatives is assisting them in obtaining *personeria juridica*. Once obtained, this legal status allows groups to apply for BANADESA loans with fewer documents and exempts those groups from certain import taxes. DIFOCOOP also provides bookkeeping courses which, unfortunately, are not coordinated with bookkeeping courses of other agencies such as INA.

Unlike DIFOCOOP, INFOP is responsible for providing courses for all reform groups, not just groups organized as legal cooperatives. These courses range in length from one to six weeks, although a two-week course is the most common. The subjects of the courses vary from bookkeeping to more specialized subjects dealing with dairy cattle husbandry to machine maintenance. These courses are generally given in the afternoon when group members return from work.

Inter-institutional Teams

In 1980 the federal government, in an effort to more effectively coordinate the activities of the several government institutions that were providing services to the reformed sector and, therefore, to improve these services, established an inter-institutional system to undertake this task. To date these services have been provided only to the ANACH regional cooperatives but the plans are to expand their activities to other reform groups.

The system is administered by the National Inter-institutional Team (ENI) at the national level. ENI has the broad responsibilities for coordination and policy making. When established ENI was composed of representatives of INA, MRN, BANADESA and DIFOCOOP. These agencies represented institutions mostly related to agricultural production and cooperatives. In 1981 agencies representing social dimensions were added. These are: the Ministry of Public Health, Ministry of Education, Ministry of Public Works and Transportation, Honduran Institute of Agricultural Marketing, National Institute of Professional Education, National Commission of Economic Planning (CONSUPLANE) as well as representatives of ANACH, FECORAH and UNC.

The implementation of the ENI-established policies is the task of the National Inter-institutional Operative Team (ENOI). Membership of ENOI is the same as ENI.

Under ENOI are the Regional Inter-institutional Operative Teams (EROI) where responsibilities are to deal directly with the reform groups. Membership on the various ENOI teams consists of representatives of the various governmental agencies. At present, in the case of the regional cooperatives, representatives from INA, the Agricultural Extension Service and the Regional Agricultural Directorate of the MNR, are the members involved in matters of agricultural production.

At present eight EROIs are functioning. Specifically their responsibilities include: the provision of technical assistance, training and education to reform groups; assisting the groups in planning and implementing their production plans and associated credit needs; obtaining credit; supervising credit use and repayment; advising on marketing; and improving groups accounting and administrative procedures. They also provide information to ENOI for purposes of national planning.

An analysis of EROI's success with credit is presented under the "Credit Supervision" section. For a more complete discussion of the whole inter-institutional system see the Chapter on "Credit Supervision in Honduran Rural Credit Institutions" by R. L. Tinnermeier.

IV. OVERVIEW OF CREDIT TO THE REFORMED SECTOR

Introduction

Borrowers in the reformed sector can be divided into two categories—the reform groups and the individual members of the groups. The presentation follows this breakdown and discusses credit flowing to both categories from the different formal market and informal market credit institutions that lend to the reformed sector.

Data in this section come from BANADESA and information generated from the preliminary findings from the authors' sample survey, undertaken in September 1981, where forty-eight reform groups and 271 members of those same groups were interviewed. It should be noted that the survey was designed for the purpose of collecting information on borrowing costs and not to obtain global estimates. However, the survey data lend themselves to reasonably good global estimates. Where the survey data have been applied in this fashion the reader should understand that the figures are approximate. We believe, however, that they are a good approximation because the sample was drawn from a population that encompassed 72 percent of the total reform groups in the nation.¹¹

Table 7 presents estimates of agricultural credit flows to groups. We estimate that 768 groups received new loans in 1980, the equivalent of 56 percent of all reform groups. Of this number 57 percent received credit from BANADESA and 43 percent from "other" sources, including commercial banks, marketing and processing companies, money lenders and a development foundation.

TABLE 7
Estimated Agricultural Credit Flows to Reformed Sector
by Credit Institution, 1980

Credit Institution	Reform Groups Receiving New Loans		Loan Volume (Thousands of Lempiras ^a)		Farm Families Benefited	
	Number	%	Amount	%	Number	%
BANADESA	438	57.0	32,425.3	79.5	11,388	57.0
Other ^b	330	43.0	8,356.5	20.5	8,580	43.0
Total	768	100.0	40,781.8	100.0	19,968	100.0

Source: Authors' calculations using data from BANADESA and authors' sample survey of September 1981.

^a 1 Lempira = .5 U.S. dollar.

^b Includes commercial banks, farm supply firms, marketing and processing companies, money lenders, middlemen, friends and relatives.

Measured in terms of loan volume, nearly 80 percent of the estimated 40.8 thousand lempiras lent came from BANADESA and 20 percent from "other" sources. Clearly, by either measure, BANADESA is the most important lender to the reformed sector, a point that is elaborated in the following section.

Borrowers and Lenders' Credit Profile

BANADESA Borrowers

Data from the sample survey provide estimates of the different classes of institutions lending to sampled groups in the reformed sector. As shown in Table 8, of the seventeen groups with BANADESA loans, five (29 percent) had one or more loans from "other" sources. In these cases the loans were mostly associated with cash or in-kind advances against the harvest from tractor stations and marketing and processing firms. Two loans were from money lenders to

TABLE 8

Distribution of Agricultural Credit Flows to Reformed Sector by Credit Institution,
August 1980-1981: From Sample Survey

	Groups with 1981 BANADESA Loans (N=17)		Groups Without 1981 BANADESA Loans (N=31)		All Groups (N=48)	
			LOAN VOLUME (Lempiras ^b)			
	Amount	%	Amount	%	Amount	%
BANADESA ^a	569,793	86.5	-0-		569,793	61.2
Commercial Banks marketing & processing firm	-0-	0	174,000	63.6	174,000	18.7
Cash Advances various institutions	54,700	8.3	65,000	23.8	119,700	12.8
In-Kind Advances ^c	23,236	3.5	34,550	12.6	57,786	6.2
Moneylender	5,900	0.9	-0-		5,900	0.6
Development Foundation	5,000	0.8	-0-		5,000	0.5
Total	658,629	100.0	273,550	100.0	932,179	100.0

			NUMBER OF LOANS			
	Number	%	Number	%	Number	%
BANADESA	24	75.0	0	0	24	47.0
Commercial Banks marketing & processing firms	0	0	1	5.3	1	2.0
Cash Advances various institutions	4	12.4	2	10.4	6	11.8
In-Kind Advances ^c	2	6.3	15	79.0	17	33.3
Moneylender	2	6.3	0	0	2	3.9
Development Foundation	0	0	1	5.3	1	2.0
Total	32	100.0	19	100.0	51	100.0

			AVERAGE LOAN SIZE (Lempiras ^b)			
	Amount		Amount		Amount	
BANADESA	23,741		-0-		23,741	
Commercial Banks marketing & processing firms	-0-		174,000		174,000	
Cash Advances various institutions	13,675		32,551		19,950	
In-Kind Advances ^c	11,618		2,303		3,399	
Moneylender	2,950		-0-		2,950	
Development Foundation	-0-		5,000		5,000	

Source: Authors' sample survey, September 1981.

^aThe loan amount for BANADESA loans represents loans actually utilized over the period, not total loans granted.

^b1 Lempira = .5 U.S. dollar.

^cIncludes cooperatives, INA, marketing and processing firms.

groups that had lost their crops and needed money to replant or to meet members' subsistence needs. However, "other" loans to the BANADESA-borrowing groups only accounted for about 13.5 percent of their total amount borrowed. These findings suggest that in many cases the BANADESA loans do not provide sufficient liquidity for the groups operations. Moreover, the survey shows that the "other" lenders are typically paid off before BANADESA, a factor that could contribute to the Bank's high delinquency rate.

Non-BANADESA Borrowers

Of the groups that were non-BANADESA borrowers nineteen groups (61 percent) received credit. Of these groups three had three loans, two had two loans and six had one loan. The credit, however, was highly concentrated in two groups. One had the 174,000 lempira commercial bank loan and another had three loans totaling 65,000 lempiras. Combined the two groups accounted for 88 percent of the total loans. It is clear that among the non-BANADESA borrowers in the sample that most credit is concentrated in a few groups that have highly commercialized operations. The other groups depend basically upon credit in the form of much smaller in-kind and cash advances against the harvest. One group had a loan from the German-based development foundation, COHAAT.

The average loan sizes reported in Table 8 for BANADESA borrowers and non-BANADESA borrowers are misleading due to the small sample size. The pooled figures reported in the "total" column are much better estimates of typical loan size. Clearly, BANADESA and cash-advance loans tend to be much larger than the other loans, with the exception of the commercial banks. One reason is that for one-year production loans both lenders include considerable amounts for wages, whereas the rest of the loans typically cover only the costs

of acquiring non-labor inputs. Another reason is that some of the BANADESA loans are for medium-term investments, such as African Palms, that are relatively large in size.

Distribution of Loans by Enterprise and Region

BANADESA

Table 9 reports the distribution of enterprise of BANADESA loans to the reformed sector over the 1977-1980 period. Over the four-year period 91 percent of the credit has gone for crops. Very little has gone for livestock. Most other credit has gone to refinance delinquent loans.

Within the crop enterprises it is noteworthy that credit directed to basic grains has increased only slightly in terms of current values. Simultaneously there has been a considerable decline in annual commercial crops and a sharp increase in permanent commercial crops, basically African Palm. It is noteworthy that BANADESA lends little for bananas or coffee.

The regional distribution of BANADESA credit to the reformed sector is also skewed towards those regions such as Tocoa and El Progreso where African Palm is grown. As shown in Table 10, in 1980, these two agencies accounted for 52.3 percent of total credit. Another 11 percent was directed to the south in Choluteca. Twenty-two of the twenty-eight regional BANADESA offices lent to the reformed sector but the distribution of this credit was highly concentrated in the three above-mentioned regional offices.

Other Lenders

As noted above, credit coming from "other" lenders in the sample was highly concentrated, in terms of loan volume in a commercial bank loan and a few cash-advance loans from marketing and processing firms. These lenders operated almost exclusively with important cash crops such as sugar cane.

TABLE 9

BANADESA Loans to Reformed Sector by Enterprise, 1977-1980
(Thousands of Lempiras^a)

Enterprise	1977	%	1978	%	1979	%	1980	%
Crops	9,395.2	88.7	32,009.5	93.5	27,251.0	88.9	30,274.1	93.3
Basic Grains	5,432.0	51.3	6,646.5	19.4	6,983.7	22.6	9,455.9	29.2
Annual Commercial Crops	3,919.9	37.0	13,839.0	40.4	6,239.3	20.1	5,866.0	18.0
Permanent Commercial Crops	44.1	0.4	11,524.0	33.7	14,300.0	46.2	14,952.2	46.1
Livestock	107.3	1.0	170.0	0.5	452.9	1.0	169.2	0.5
Beekeeping	0	0	0	0	16.2	0.1	70.0	0.3
Industry	0	0	0	0	36.5	0.1	652.1	2.0
Commerce	0	0	0	0	73.9	0.2	28.0	0.1
Refinancing	1,087.4	10.3	2,066.0	6.0	2,842.8	9.7	1,231.9	3.8
Total	10,589.9	100.0	34,245.5	100.0	30,945.3	100.0	32,425.3	100.0

Source: BANADESA, Depto. Estudios Económicos.

^a1 Lempira = .5 U.S. dollar.

TABLE 10
Regional Distribution of BANADESA Loans to Reformed Sector
by Bank Agency, 1979-1981
(Thousands of Lempiras^a)

Agency	1979	%	1980	%	1981 through May	%
Camasca	-0-	0	-0-	0	-0-	0
Catacamas	1,253.8	4.1	1,048.7	3.2	749.1	5.5
La Ceiba	672.6	2.2	291.4	0.9	64.3	0.5
Choluteca	5,019.7	16.2	3,582.1	11.0	1,815.9	13.3
Comayaqua	655.6	2.1	1,013.7	3.1	227.6	1.7
Danlí	642.4	2.1	2,124.5	6.6	-0-	0
Gracias	-0-	0	-0-	0	-0-	0
Juticalpa	2,241.9	7.2	1,425.1	4.4	2,964.1	21.8
Marcala	304.8	1.0	278.8	0.9	-0-	0
Minas de Oro	36.0	0.1	155.4	0.5	-0-	0
Nacaome	689.9	2.2	350.9	1.1	128.6	0.9
Nueva Agencia de San Pedro Sula	20.0	0.1	22.0	0	-0-	0
Ocotepeque	5.0	0	57.9	0.2	128.6	0.9
Olanchito	-0-	0	5.7	0	-0-	0
El Paraíso	165.4	0.5	432.0	1.3	-0-	0
El Progreso	122.3	0.4	9,381.3	28.9	776.5	5.7
Puerto Cortes	-0-	0	-0-	0	27.0	0.2
Puerto Lempira	-0-	0	-0-	0	-0-	0
San Juan de Flores	-0-	0	-0-	0	-0-	0
San Luís Santa Bárbara	-0-	0	-0-	0	-0-	0
San Pedro Sula	2,195.8	7.1	1,122.1	3.5	1,118.0	8.2
Santa Bárbara	438.8	1.4	426.2	1.3	-0-	0
Santa Rosa de Copán	253.1	0.8	393.6	1.2	257.7	1.9
Tela	169.9	0.5	1,569.4	4.8	1,802.9	13.2
Tegucigalpa	12.9	0.1	22.0	0.1	26.0	0.2
Tocoa	11,357.3	36.7	7,582.5	23.4	587.4	4.3
Yoro	30.2	0.1	17.0	0.1	17.0	0.1
Central Office	4,673.3	15.1	1,139.0	3.5	2,945.4	21.6
Total	30,945.3	100.0	32,425.3	100.0	13,636.1	100.0

Source: BANADESA, Depto. de Estudios Económicos.

^a 1 Lempira = .5 U.S. dollar.

These findings should be representative of the incidence of this type of loan for the total reformed sector except that in other regions such loans might be made for tobacco, and bananas.

The in-kind loans appearing in the sample survey were mostly for seeds and tractor services that were purchased from a supplier. Most often the supplier was a local farm cooperative, such as COAVAL near Tela, or an INA tractor station in one of the projects of the INA concentrated subsector. Therefore, it would appear that these types of loans are concentrated in regions where such cooperatives and projects are in operation and are not generalizable to the whole country.

Non-Group Credit Use by Group Members

In addition to loans to groups, credit flows to the reformed sector as loans to individual group members. Sample survey data provide good insight into the use of individual credit by reformed sector beneficiaries.

Table 11 shows the percentages of the total members surveyed that had used credit. There is little discernible difference between members of bank (here defined to include BANADESA and the commercial bank) borrowers and non-borrowers in terms of incidence of use of credit from the different types of lenders. These findings suggest that use of credit from these informal sources is independent of whether or not the member's group has a bank loan or not.

The lenders are listed in Table 11. It is noteworthy no members had loans from commercial banks or credit unions. The most common lenders were friends and family. There were 25.1 percent of the members that had used these two sources of credit during the year. The next most common source was in-kind advances; 15.1 percent of the members had received goods and services that tended to consist of production inputs such as tractor services, seeds and

TABLE 11
Percent^a of Sample Borrowing from Informal Sources
And Average Loan Size: August 1980 - August 1981

Source	Members of Credit Groups (N=112)	Members of Non-Credit Groups (N=159)	Members of all Groups (N=271)	Average Loan Size (Lempiras)
Moneylender	3.6	4.4	4.1	179
Family	3.6	6.9	5.5	85
Friends	22.3	17.6	19.6	62
Cash advances	8.0	5.7	6.6	94
In-kind advances	14.3	16.4	15.5	22
Subsistence loans	13.4	13.2	13.3	42
Retail loans	3.6	3.1	3.3	227 ^b

Source: Authors' sample survey, September 1981.

^aThe columns will not sum to 100 because some members had credit from multiple sources.

^bExcludes two extremely large loans, out of the nine reported, that were for a stove and refrigerator for small stores.

chemicals. Some 13.3 percent used subsistence loans that were in-kind grains (chiefly corn) to be used for feeding the farm family. Cash advances accounted for 6.6 percent and were against the harvests. Retail loans accounted for 3.3 percent and consisted of in-kind advances on retail goods from stores or traders. Finally, 4.4 percent of the members used money lenders.

Of the loans that were obtained in cash, and not as an advance, it is noteworthy that some 64 percent of moneylender loans were used for agricultural production and only 27 and 9 percent respectively for medical expenses and personal matters. In sharp contrast, only 24 percent of the loans from friends and family went to agriculture and 62 and 15 percent respectively for medical and personal expenses. This suggests that members tend to rely upon family

and friends during times of emergencies associated with family illness. These patterns of credit use is reflected in Table 11 under the "average size of loan" column.

Delinquency

Delinquency is a major problem in the reformed sector not only for the credit institutions but also the reformed groups. Over time, a large proportion of the reformed groups have obtained credit from BANADESA but have not repaid the loans. This has contributed to BANADESA's shortage of loanable funds, made it more dependent on government and foreign financing and decreased its cost efficiency. For the borrowers it has made them ineligible for succeeding BANADESA loans, and often loans from other sources as well. Since these groups have little operating capital, without credit many are caught in the vicious circle of poverty for lack of operating and investment funds.

BANADESA does refinance some of its delinquent loans, presumably when funds are available and it is adjudged that the causes of delinquency were beyond the control of the borrowing group. Over the last four years an average of about 10 percent of BANADESA's new loan portfolio has been used for this purpose.

An approximation of the magnitude of the BANADESA delinquency in the reformed sector is provided by the figures that 32 percent of the total number of loans outstanding in the reform sector and 35 percent of the outstanding loan balances were delinquent as of July 1, 1981.¹² This measure, while useful, does not really present the gravity of the problem since the best way to compute the rate of delinquency would be the amount delinquent as a percentage of loan amount that should have been repaid. This rate, were data available to compute it, would be much higher.

Data from the sample survey provide more insight into the problem. Of the forty-eight groups surveyed, forty-two had current credit or had obtained credit from BANADESA in the past. Of this number thirty-one (73 percent) had been delinquent in those loans. Of these loans eleven (35 percent) had been refinanced. The average size of reported delinquency on loan principal for the currently delinquent groups was 26,293 lempiras, a figure that is not too different from the average size of BANADESA loans reported earlier. This suggests that it is likely that most of the original loans were not repaid.

The reasons for delinquency of the surveyed groups were fundamentally centered on matters of weather: such as flooding, wind, etc. The fact that more than half the respondents listed flooding strongly suggests the need for land improvements or flood control to decrease risk on this account. The delinquent groups intended to repay by future earnings or refinancing, but for many these possibilities are very remote.

These findings support the well-recognized fact that the land quality in the reform sector is an important factor in determining the economic viability of the groups. Given that most of the redistributed land has come from the public sector much of it is of inherent low quality or at least needs improvements to make it reliable given climatic conditions. Without these improvements the economic viability of these lands is marginal. This condition in combination with problems in marketing, lack of good technical assistance and inadequate infrastructure as well as the difficult problems inherent in forming and organizing groups make the delinquency problem difficult to avoid under current lending arrangements.

One aspect of these arrangements, elaborated in greater detail in the following section on credit delivery, appears to be a significant factor in contributing to BANADESA delinquency. This is the fact that the group is

lent money to provide for the daily wages of its members, as they undertake their collective farming, presumably to allow them to meet their current consumption needs. However, it may be that once the group members have received their labor share that they lack the incentive or organizational structure that is needed to repay the loan. Were they to have to wait until harvest to get paid perhaps their incentives would change because they would only get paid out of the residual after all other expenses were met. This would imply that BANADESA should not lend for the wages or, at least, to lend funds sufficient for only a partial wage, presuming that the remainder would come after the loan has been repaid.

The fact that only one of the forty-three groups surveyed was currently delinquent on loans from "other" lenders suggests that these lenders get repaid. A probable explanation is that these lenders have a built-in collection system due to the fact that many loans come from processing and marketing firms that deduct the loan from the receipts paid for purchasing the product. Typically these loans do not contain advances for members wages. A contributing factor could be the members' attitudes towards working with a government bank. They may tend to view the bank loan more as an income transfer rather than a credit.

INA often serves as guarantor of BANADESA loans to groups, thus permitting the group to obtain a loan. In 1980 INA served in this capacity for 346 (80 percent) of the groups receiving BANADESA credit. In theory, when the group does not repay, INA is supposed to repay the Bank and then collect from the group, thus allowing the group to be eligible for additional BANADESA credit. In practice, however, it does not work this way because INA long ago exhausted its funds set aside for its loan guarantee program. Thus, the loans continue to be carried as delinquent on the BANADESA books and the groups are denied further credit from the Bank.

V. CREDIT DELIVERY SYSTEMS

Introduction

This section deals with the credit delivery systems associated with the lending and borrowing from the several credit institutions that work in the reform sector. The credit delivery system encompasses not only the terms and conditions of the loans, such as amount, time period, and interest, but also the procedures that must be followed in the process. In order to facilitate discussion the process is broken down into three phases for the borrower and lender: application, implementation and repayment.

The major purpose of this section is to discuss and analyze the credit delivery systems associated with the various lenders including those in the informal market who lend to individual members. Particular attention is paid to the efficiency of these systems in terms of how they affect total cost of borrowing, i.e., interest charges and transactions costs. For present purposes the transactions costs are considered as out-of-pocket costs to the borrower as well as his time costs of undertaking the transactions. Simultaneously, the lender's costs of making credit available to the reform sector are considered. Data obtained from the sample survey is used to estimate borrowing costs. Data obtained from the credit institutions and the field survey is used to discuss lenders' costs.

An additional aspect of the credit delivery systems is the technical assistance associated with credit. The reader is referred to the chapter written by R. L. Tinnermeier for a detailed discussion of this dimension. However, some reference will be made on this topic in the present paper.

The organization of this section is as follows: First is a description of the credit delivery systems of each of the lenders to groups; emphasis is

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The organization of this section is as follows: First is a description of the credit delivery systems of each of the lenders to groups; emphasis is

placed on BANADESA. This is followed by a comparison of the borrowers' transactions costs associated with loans from these lenders. Second is a discussion of credit delivery systems for lenders who lend to individual group members.

BANADESA

This section is organized in two parts. First is a general description of the BANADESA credit delivery system. Second is a discussion of how this system is modified for BANADESA loans to the regional cooperatives.

Terms and Conditions of Loans

BANADESA lends to reform groups for short-, medium- and long-term purposes. The interest rate on these loans ranges from 9 percent to 19 percent, depending on sources of funds, which is calculated on the outstanding balance and added to the principal. On some loans the reform groups are required to keep a 10 percent minimum balance in a BANADESA savings account, implying a true interest rate slightly higher than the nominal rate. A registration cost, usually less than 200 lempiras, is subtracted from the loan amount before the first disbursement.

Loan collateral for reform groups is, in almost all cases, the projected harvest for a crop loan and the purchased capital good for a machinery or livestock loan. INA acts as a third party guarantor for about two-thirds of what the reform groups borrow from BANADESA. The 1975 Land Reform Law establishes BANADESA's obligation to accept the guarantee of INA. In practice this guarantee is worthless because INA does not have the funds to meet its obligations.

Loan Application Phase

There are two important elements to BANADESA's lending procedures. First, there is the complex set of paperwork requirements that must be filed to determine the economic feasibility of the proposal project, and to provide documentation for credit use and credit worthiness. Second, there is a series of documents which the group must file in order to demonstrate their status as a reform group, that taxes have been paid and whether or not *personeria juridica* has been established.

If a group has *personeria juridica* then the signatures of only the group's president and treasurer are required on group documents. If it is lacking a list of group members must be supplied showing each member's identity card number and signature.

After the group's president and treasurer make their first trip to BANADESA to solicit the loan, a credit agent visits the group for an inspection. The inspection can be done by either the BANADESA credit agent or an agricultural extension agent from MRN. If the latter performs the inspection, it is still required that the BANADESA agent's signature appears on the document. The required documents, for the reform groups include a certificate from INA which is required to certify that the crop is registered and is a legal reform group and the *personeria juridica* or a note from MRN confirming that the *personeria juridica* is being processed. If *personeria juridica* has not been established the group must provide a list of members with identification papers as noted above. Finally the group must present a list of the names of the members that plan to participate in the collective project.

The groups must undertake considerable investment in time and money to obtain these documents. Reform groups borrowing for the first time face higher documentation costs since second-time borrowers often resubmit documents and are more familiar with the system.

There is also considerable costs to BANADESA since that institution must spend time and money soliciting the documents as well as recording and filing them.

The loan application procedure for the reform groups takes about 8 weeks from the time of the first visit to the bank by the group's officers. Renewable loans for annual commercial crops generally take much less time, averaging about 3 weeks.

Disbursement and Implementation

The loans are dispersed according to the loan investment plan. The BANADESA credit agent's signature is required for all disbursements. Prior to signing, the agent is required to visit the project to verify that the previous work has been accomplished and that the labor was performed in the case of wage withdrawals. The group may request disbursements for unforeseen problems such as insect infestations at any time. However, the credit agent's inspection and signature is required for every disbursement.

The group's president and treasurer must travel to the regional bank officer and sign for the disbursement after the inspection has been made and approved. Both the president and treasurer sign for the disbursements, which are in cash for the wages earned. In the case of seeds, fertilizers and other inputs, the group's officers must sign for a procurement order which they take to a designated retailer in order to receive the prepaid products. The officers normally make the trip to the bank and the retailer in the same trip.

Most of the agronomic supervision over this period comes from the extension agents of MRN. These agents visit the group's project periodically and offer advice on inputs and farming practices. The MRN national extension officers estimate that 90 percent of their 149 extension agents work with reform groups.

Loan Repayment

For the crop loans, repayments of interest and principal are scheduled in one payment after the estimated harvest time. The length depends on the crop. Long-term loans are typically scheduled with a two or three year grace period followed by equal payments every six months over the term of the loan. Loan repayment occurs in the regional office and requires another trip by the president and treasurer of the group.

If loans are not paid on time the credit agent visits the group and may or may not leave a letter stating that the loan is delinquent. The agent requests that the group's officers travel to the regional office to discuss the delinquent loan. BANADESA applies moral suasion to the group but, as a practice, does not apply legal sanctions to force loan repayment. Consequently unpaid loans remain on their books until they are written off as uncollectable.

Delinquent loans may be refinanced; a process that is similar to obtaining a fresh loan.

Regional Cooperatives

The standard credit procedure used by reform groups is modified when the groups obtain credit via a regional cooperative. The procedure used by BANADESA is also modified due to the large size of these loans. This section presents a brief description of the credit delivery system employed by the Bank, the cooperative and the reform group under these circumstances.

Terms and Conditions of Loans

BANADESA lends for short-, medium- and long-term purposes directly to regional cooperatives which in turn lend to its member groups. The interest rate charged to the regional cooperative is crop specific and is the same as charged to a reform group applying independently. The regional cooperative

in turn adds an additional 2 or 3 percent charge when lending to their member groups. Thus the reform groups pay higher interest borrowing costs, presumably in compensation for the increased services they receive from the regional cooperative.

The loan collateral for the regional cooperatives is the combined production of its members, i.e., all member groups assume joint liability for repaying the loan.

Loan Application Phase

The regional cooperative works extensively with EROI teams in preparing investment plans. BANADESA assigns a credit agent to each regional cooperative full time.

The EROI teams visit each member group to determine which activities are to be financed. An investment plan is made for each activity in collaboration with a technician from the cooperative. In some cases a detailed summary is prepared outlining financial situations, soils, location, past loans, and resource inventory. Once the farm plans for the various member groups are prepared, they are consolidated by the regional cooperative in preparation for dealing with BANADESA.

The documents which the individual groups must submit are the same ones they would need if they were applying individually to the Bank. However, the regional cooperative normally assists the group in obtaining the documents. Thus the time costs associated with loan transactions for the reform groups are reduced. However, there is a large increase in interest costs due to the 2 or 3 percent extra interest charge.

The time for the loan application procedure for the individual reform groups also increases by about four weeks. The average time is about twelve weeks.

Loan Disbursement and Implementation

The loans are disbursed according to the farm plan but the group's officers must travel to the regional cooperative office and then to BANADESA to obtain the disbursements. It is necessary for the BANADESA credit agent to sign the disbursement release after inspecting the project site.

Loan Repayment

The only difference in procedure between this and the regular BANADESA procedure is that cooperative groups repay at the regional cooperative office. In cases of delinquency the cooperative will work hard to ensure repayment, even if it means using cooperative funds or calling upon other non-delinquent member groups to cover the short fall. The reason is that if the books show the cooperative to be delinquent then it cannot obtain additional BANADESA credit.

Commercial Banks

Few private banks lend to reform groups in Honduras. In the cases which do occur, very specific arrangements are set up whereby the reform group signs a five to ten-year contract with a marketing or processing firm which guarantees the loan for the private bank. The firm, usually a sugar processor or banana company, cosigns the bank note with the reform group.

The reform group's officers negotiate primarily with the firm and the firm with the bank. Withdrawals are made at the bank's offices and require the signature of the president, the treasurer and a representative of the cosigning firm. Technical assistance is provided by the firm.

The loans are repaid after the harvest by the firm. All other expenses are deducted from the reform group's account and the balance turned over to the president and the treasurer for distribution according to the reform group's procedures.

Informal Sources

There are few instances of informal loans to reform groups. The most common appears to be in-kind loans consisting of seeds, tractor services and transportation. Many of the groups with marketing contracts with the sugar and banana companies also receive cash advances based on a per-member formula for twelve months. Moneylender loans to reform groups appear to be very uncommon, with only two cases of the forty-eight from the sample survey reporting moneylender groups. In this section the credit delivery systems of these informal loan sources are described.

In-kind Loans

The in-kind loans to reform groups are short-term, no-interest loans that, in most cases, require only a verbal agreement. A majority of the in-kind loans come from INA which provides tractor services for the reform group. A typical example of this loan would involve the president and treasurer making one or two visits to the INA tractor station to solicit tractor time. INA requires the group to pay only the fuel expenses and allows four to six months for repayment. If the group fails to repay, INA imposes no sanctions but will not provide the group with more services.

The transactions costs for these loans are very low. Time costs are the major portion of the transactions costs and usually require less than a day for traveling and negotiations.

Cash Advances

Twelve-month cash advances are common among groups with marketing contracts, especially with the sugar companies. The size of the advances averages about 13,000 lempiras and are based on a per-member formula.

The group's officers travel to the processing firm's offices and need only sign for the advance since the terms are set in the group's contract with the firm. Time costs are higher for cash advances than the other informal services due to the distance traveled to the firm's offices.

Moneylender

It is very uncommon for a reform group to borrow from a moneylender. Interest rates are high, 3 to 5 percent a month, even on large loans. Thus when groups do borrow from moneylenders it is generally due to an emergency; it is for a short term and the loan is repaid on time.

The loan is disbursed in a single payment after a written contract is signed by the president and the treasurer. The groups borrow from a moneylender in their community and spend very little money traveling, or time arranging the deal. One visit is sufficient to close the deal, another visit to receive the loan and another visit to repay.

Comparative Transactions Costs for Loans to Groups

BANADESA

The sample survey was designed to capture the borrower's transactions costs from all types of loan sources. The average transactions costs for the seventeen BANADESA borrowers in the sample are presented in Table 12. The costs are separated into time and out-of-pocket or cash costs, and then by the three phases: application, implementation and repayment.

The average total transactions cost was 478.8 lempiras per group, which is less than an average of 20 lempiras per group member. Of the three phases the costs associated with the loan application required the largest amount of expenditures representing 66 percent of the total transactions costs.

TABLE 12
Average Transactions Costs for BANADESA Borrowers,
From The Sample Survey
(lempiras)

Phase	Cash Costs	Time ^a Costs	Total Costs
Application	246.6	49.9	314.5
Implementation	88.4	54.6	143.0
Repayment	<u>13.8</u>	<u>7.5</u>	<u>21.3</u>
Total	366.8	122.0	478.8

Source: Authors' sample survey, September 1981.

^aTime is valued at four lempiras per work day.

Of particular note is the large time commitment on the part of the group president and treasurer. Some twenty-eight days were involved in their loan transactions. To put this in perspective, however, if computed on a per member basis it would represent a relatively small commitment per person.

For the seventeen groups in the sample the transactions costs averaged 1.43 percent of the amount borrowed. Combined with a weighted average interest rate of 13.08 percent, total borrowing costs as a percent of loan size was 14.51 percent.¹³

It can be concluded that borrower transactions costs for BANADESA loans are not very high neither for the group nor the individual group member. However, this is not to suggest that they might not be reduced because from the above discussion it is clear that there are numerous steps involved for the group leaders in the credit delivery process, many of which might be eliminated without any serious consequences for the program.

It is on the lender's side that there appears to be exceedingly high costs of credit delivery. All of the procedures and documents require considerable manpower to prepare and, once they are prepared, to file. It would appear that considerable reductions could be made in BANADESA operation costs by a thorough revision and simplification of these procedures.

Other Lenders

As shown in Table 13 the transactions costs for other lenders are much less than those of BANADESA, again reflecting the heavy degree of time-consuming procedures and paperwork associated with the latter's credit delivery system. Both cash and time costs are much less for the other lenders. Of the other lenders only the commercial bank had relatively high transactions costs, but when figured on the basis of loan size they represented only 0.1 percent of the loan. The remaining institutions had simple credit delivery systems with low associated transactions costs that added no more than 0.5 percent to loan costs figured as a proportion of an average sized loan.

In the cases of the moneylender the explicit interest costs are quite high. In the case of cash-advances the implicit interest costs are undoubtedly somewhat high, although they are hidden in the form of lower prices on products sold. The implicit costs on the in-kind advances are not so high since these products are often sold by INA to the groups.

The total borrowing costs undoubtedly influence group behavior in selecting a lender when they have alternatives. The high transactions costs associated with the BANADESA and commercial bank loans limit them to using these lenders only for large-sized loans. In contrast when they need small-sized loans they prefer to deal with lenders with lower transactions costs, although they pay higher interest rates, because the total borrowing costs are less. This analysis matches with the behavior observed in the sampled groups.

TABLE 13
Average Transactions Cost by Source for Reform Groups,
From Sample Survey
(lempiras^a)

Loan Source	Cash Costs	Time ^b Costs	Total Costs	Average Loan Size Per Group	Transactions Cost as Percent of Loan
BANADESA (N=17)	366.8	112.0	478.8	33,517	1.43
Commercial Banks (N=1)	180.0	72.0	252.0	174,000	0.10
In-kind Advance (N=17)	4.6	11.2	15.8	3,399	0.30
Cash Advance (N=6)	6.9	21.5	28.4	19,950	0.10
Moneylender (N=2)	5.0	9.0	14.0	2,950	0.50
Development Foundation (N=1)	8.0	16.0	24.0	5,000	0.50

Source: Authors' sample survey, September 1981.

^a1 lempira = .5 U.S. dollar.

^bTime costs were calculated at four lempiras per day.

Lenders to Individual Group Members

The presentation of the credit delivery systems for lenders making loans to group members is consolidated under four categories: money loans, subsistence loans, in-kind and cash advances, and retail loans.

Money Loans

Families and friends. Reform group members that borrow cash for family emergencies or for agricultural purposes rely on friends more than family members or moneylenders. Friends that lend generally provide loans free of interest rates, without a set length and require only a promise to confirm the arrangement.

A loan from a friend would require one trip to apply for the loan, one trip to receive the loan and one trip to repay. A verbal agreement would suffice and no guarantee would be needed. In most cases the friend is in the same community and the borrower would spend no money and only one-half day to confirm the loan. The length of the loan is short, almost always less than four months and the amount of the loan small, usually less than 100 lempiras. The results of the sample survey presented in Table 14 below compare the average size loan, interest rates, and length of loan for the three cash loan sources.

TABLE 14
Informal Cash Loan Characteristics, from the Sample Survey
(lempiras^a)

Loan Terms	Moneylender	Friends	Family
Amount	(N=11)	(N=53)	(N=15)
Mean	179	62	80
Mode	200	50	20-30
Median	280	177	180
Range	60-500	5-350	10-350
Length	(N=11)	(N=40)	(N=13)
Mean	4	3	5.4
Mode	1	1	2-6
Median	6.5	5	6.5
Range	1-12	1-9	1-12
Monthly Interest Rate	(N=11)	(N=15)	(N=1)
Mean	8.7	7	10
Mode	5	5	10
Median	11.5	11	10
Range	3-20	2-20	10

Source: Authors' sample survey, September 1981.

^a1 lempira = .5 U.S. dollar

Terms on family loans are similar to the terms on loans from friends. The loans are easy to obtain, require no guarantees and no fixed terms. Borrowers' travel time and out-of-pocket expenses are very low. Loans are obtained after one visit and repaid with one visit. The sample survey demonstrated only one relative out of seventeen charged an interest rate. It is more common that borrowers provide favors to their lending relatives in the form of work or lend tools.

Moneylenders. Loans from moneylenders do require fixed terms, although guarantees are needed only on the larger loans, over 250 lempiras. Interest rates range from 3 to 20 percent a month on loans of six months or less. Moneylenders are used by group members when the quantity borrowed is larger than family or friends can afford to lend, and when the purpose of the loan is of a more commercial nature.

Moneylenders require a maximum of three trips, one each for the application and signing of a written contract, to receive the loan and to repay. Borrowers know after the first trip whether they will receive the loan or not.

When loans are not repaid on time an extension is almost always granted the first time, without any penalty charges. However, in the eleven cases reported in the sample survey, all respondents had repaid on time.

As seen in Table 14, the average size moneylender loan is almost three times the size of loans by friends and twice as large as family loans.

The length of the loans from the sample survey were short-term. With moneylenders averaging four months; friends, three months; and family, just over five months. There were 25 percent of the loans by friends without a fixed length for the loan and 15 percent of the family loans without a fixed length.

There were even fewer family and friends loans that had interest rates. Only 28 percent of the friends' loans and 7 percent of the family loans were contracted with interest charges.

Subsistence Loans

Subsistence loans consist of basic food grains that are borrowed to feed the family. Reform group members borrow food grains, usually corn, after their own supplies run short. Often this need occurs while planting the next season's crop or even right before harvest when total grain supplies are short and prices are high. The loans are repaid right after harvest when prices are low. This situation is demonstrated by the results from the sample survey. The mean price of the grains at the time they were borrowed was 42 lempiras, while the mean price when repaid was 36 lempiras.

Group members that borrow grains commonly receive the grains in the same visit they request the loan since grains are stored in the houses. Borrowers spend less than a day to travel and receive the loan. Lenders are typically friends and relatives. There were very few instances of the reform groups or regional cooperatives lending to their members for this purpose.

In-kind and Cash Advances

Advances in cash or in the form of seeds and services require the same conditions as most other informal loans. The length of the loans are short-term, the size is small and the guarantees are verbal. Even commercial buyers advancing cash to reform group members require, at most, a handwritten note which acts as a binding contract. Most cash advances are for less than one month and provide the group members with some operating capital to harvest and transport his product to the buyer.

The average size cash advance from the sample survey was 289 lempiras. One cash advance, for bananas, was for 2,500 lempiras, while the others were all less than 800 lempiras.

A few of the group members borrow in-kind services for a promise to pay after the harvest of the product. These services, such as transportation and tractor use, require no written contracts and are very short-term, averaging less than three months.

The most common form of in-kind advances are in the form of seeds, again for short periods and very small amounts. Seed loans are from friends in the same community so travel time is minimized. No interest rates are charged but it is expected that the borrower will return the favor or help work in the lender's field. The sample survey results showed all twenty-eight cases of in-kind input borrowers spending less than one-half day to travel and receive the inputs.

Retail Loans

Loans from retailers are not common among the reform group members. These loans are made by traveling salesmen with radios and small appliances who arrive at the house to sell their products on installment and return periodically to collect the quotas. The installments are paid on a monthly basis over a six to twelve-month period with an implied interest rate of 5 to 10 percent per month. These types of loans are very infrequent. Most reform group families are very poor and survive at a subsistence level, placing this type of commercial products out of their reach.

Transactions Costs

The informal loans transactions cost are very low in absolute terms for all sources. The highest time cost category was for family loans which has been distorted by one borrower who traveled 400 kilometers to borrow agricultural production funds from a relative. Cash costs were also very low, under one lempira except for the family loan category.

TABLE 15
Average Transactions Costs for Group Members
From the Sample Survey
(lempiras^a)

Loan Source	Time ^b Costs	Cash Costs	Total Costs	Average Loan Size	Transactions Cost as a Percentage of Loan
Moneylender (N=11)	2.7	0.9	3.6	179.0	2.0
Family (N=15)	3.3	1.4	4.7	85.0	5.5
Friends (N=53)	2.5	0.8	3.3	62.0	5.3
Subsistence (N=36)	1.1	0.9	2.0	41.5	4.8
In-kind Advances (N=42)	2.1	0.4	2.5	22.3	13.0
Cash Advances (N=18)	2.4	0.3	2.7	94.0	2.9
Retail Loans (N=7)	2.8	5.9	8.7	227.0	3.8

Source: Author's sample survey, September 1981.

^a1 lempira = .5 U.S. dollar.

^bTime costs were computed at 4 lempiras per day.

Transactions costs as a percent of the loan were high for in-kind advances due mainly to the small size of these loans, 22.3 lempiras. The in-kind loans had the smallest average size of all loans, while moneylender loans were the highest. The transactions costs as a percent of the loan remained at 5.5 percent or below for all categories except the in-kind advances.

In summary, the survey results showed that the biggest transaction cost component for reform group borrowers from informal sources is that of time. The ratio of time costs to cash cost was over one except for retail loan.

The total borrowing costs are somewhat more difficult to determine. When there is an explicit interest rate, as in the cases of moneylenders, families and friends, it is easy to determine the interest costs. The other lenders, who do not explicitly charge interest, undoubtedly obtain an implicit rate because of their ability to raise the costs of inputs or lower the prices that they pay for products compared to what the true market prices would be. This rate, however, is more difficult to determine since it must be figured on the basis of a given product purchase or input supply basis.

VI. RELATIONSHIP BETWEEN CREDIT AND SOURCES OF INCOME

Sample survey data permit a preliminary examination of the relationship between credit use by reform groups and sources of incomes of their members. Table 16 presents data showing that members of groups with bank credit (BANADESA and commercial bank) derive a relatively much larger proportion of their income from collective farming than those without bank credit. This would be expected since bank credit is only given for collective operations.

Members of groups without bank credit derive relatively more income from their individual plots than those with bank credit. This, too, would be expected but it is interesting to note that their plots average only 23 percent more size (1.6 compared to 1.3 manzanas) than those members of groups with credit.

TABLE 16
Group Members' Income Rankings by Source of Income,
From the Sample Survey

Income Source	Members Indicating Source of Income	Rankings by Members of Relative Importance of Income Source		
		1st	2nd	3rd
<u>Members in Groups with Bank Credit</u> (Percent of Total, N=112)				
Collective Projects	96.4	70.5	22.3	3.6
Individual Parcels	82.1	26.0	50.0	6.2
Off-farm Income	32.1	3.6	8.9	19.6
<u>Members in Groups without Bank Credit</u> (Percent of Total, N=159)				
Collective Projects	61.6	42.8	15.7	3.1
Individual Parcels	86.2	46.5	34.6	4.4
Off-farm Income	47.8	10.7	27.0	10.1

Source: Authors' sample survey, September 1981.

What is most striking is the relative importance assigned to off-farm income by the members of groups without bank credit. Not only does a larger percentage work off the farm, but when they do, they work an average of 64 percent more time per year.¹⁴

Therefore, it would appear that bank credit to a group would tend to reduce substantially the amount of that group's members off-farm employment.¹⁵ It will also tend to shift production from private to collective plots. Viewed the other way, the lack of group credit will tend to encourage members to seek off-farm employment and increased production on their individual plots. A probable explanation is that group bank credit has built-in provisions for members to earn daily wages. Without access to these funds they are forced to look elsewhere for sources of income.

VII. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary and Conclusions

The Importance of the Reformed Sector

In comparison to the total agricultural sector the reformed sector is relatively small. It encompasses only about 8 percent of the nation's farm land and 9 percent of the rural families. However, measured in terms of its total significance it is much larger because, through land reform and related services, it represents the major thrust in Honduras to improve income distribution, enhance social mobility and increase political participation in rural areas.

The reformed sector is relatively new, virtually no land was redistributed until 1962 when the first land reform law was passed. It wasn't until after December of 1972, when Decree No. 8 was passed, that much land reform actually took place. More than 87 percent of the current beneficiaries of land reform have received their land since that date. Most of the redistributed land has come from public properties.

The basic organizational unit in the reformed sector is the reform group, which is composed of the beneficiaries of land reform. The members of the group administer the group through elected officers. Most groups practice the collective mode of farming although in most instances each member maintains an individual plot for producing goods for home consumption. The collective mode is encouraged by *campesino* organizations and is necessary to obtain group credit. Some groups, usually those non-affiliated, choose to have their members farm the land in individual plots.

In 1961 the Honduran government established INA to implement the land reform program, and to the present INA is the principal government institution dealing with the reformed sector, although several others carry out specific

responsibilities. These include BANADESA for credit, MRN for technical assistance, and DIFOCOOP for assistance in developing cooperatives. In the last several years an inter-institutional system has been established to coordinate the services of several government agencies to improve the delivery of not only economic but also social services to the newly-established regional cooperatives. Because of the reformed sector's multiple needs, the inter-institutional system represents an appropriate movement by the government to coordinate the efforts of the several government institutions that deal with the reformed sector. At present the concept is confined to the regional cooperatives but has possibilities of being extended to reform groups that do not participate in the regional cooperative system. It should be noted, however, that the system has demonstrated some deficiencies and ineffectiveness. These need to be resolved before the system is extended.

Campesino organizations are another important element in the reformed sector. Historically they have been very active in pressuring the government for land reform and associated services as well as in organizing *campesinos* as reform groups, often by means of land invasions. Currently about 84 percent of the reform groups are affiliated with these organizations. There are three national organizations of which ANACH is by far the largest. These organizations represent a very active and dynamic force in representing the interests of the reform groups in front of the government.

We conclude that the reformed sector is of considerable importance in the political economy of Honduras. The experiences in the neighboring countries of El Salvador and Nicaragua will undoubtedly lead to efforts in Honduras to mitigate the possibilities of similar internal uprisings. Therefore programs, such as land reform and services for the reformed sector, are likely to be given greater emphasis. This, in combination with well-organized activist

campesino organizations, will be the important factors in causing the government to continue to undertake land reform and provide better services to the reformed sector. Credit will be one of the services to be provided.

Credit

Credit use. Credit flows to the reformed sector in two basic ways: to the groups and to the individual group members. With respect to the former, we estimate that 56 percent of the 1,369 reform groups received credit in 1980. Of this amount 57 percent came from BANADESA. The rest came from many sources but was concentrated in a few loans from commercial banks and cash advances from large firms that market and/or process major commercial crops. Credit is concentrated in several regions of the country: the northern, Atlantic Coast and southern parts of the country. BANADESA credit was concentrated in several enterprises, especially African Palm. It was not uncommon for groups to have credit simultaneously from more than one lender.

Members of groups do not use credit as individuals very frequently. Sample survey data showed that none used bank credit. The most frequent source was from friends and family but only about 26 percent had availed themselves of such credit in the year. Very few had credit for moneylenders or retail traders. Somewhat more common were loans consisting of cash advances from marketing firms and in-kind inputs from suppliers.

Credit delivery. Sample survey data were used to study credit delivery systems, especially the borrower transaction cost components. The results showed that the system employed by BANADESA for lending to groups, although quite complex and cumbersome in itself, was quite efficient when measured on a per member basis or as a percentage of amount borrowed. The reason for the former is that the time-consuming tasks of obtaining credit within the group

are handled largely by two officers. In the case of the latter, the low percentage is due to the rather sizable costs being figured against large-sized loans.

Compared to other lenders the BANADESA system was quite complex and costly. This strongly suggests that the BANADESA credit delivery system should be revised with the view of not only lowering borrowers transactions costs but also operating costs of the Bank.

Credit delivery systems employed in loans for the individual farmers were found to be very simple and low-cost. The explicit or implicit interest charges, with exceptions of many loans from family and friends, were found to be considerably higher than those charged by banks.

Technical assistance. Provisions are made for the MNR to provide technical assistance for agricultural production to groups. In practice, however, the service appears to be inadequate. When given, advice is superficial and often turns out to be wrong. The new inter-institutional system is a means designed to better provide technical assistance in the regional cooperatives. However, to date its success has been limited.

Some of the problems associated with technical assistance can be attributed to the difficulties in providing these services to the rapidly increasing number of groups in the reformed sector or by a country that has limited human and financial resources. Clearly, considerable more work needs to be done to improve these services.

Savings mobilization. There is not much emphasis on savings mobilization among the reform groups. Most groups have provisions in their statutes for retaining earnings from the collective operations to be used to undertake future investments and to use as operating funds. Most of the cooperatives do not accumulate much in this manner. Some groups have interest-bearing accounts for members. Few members take advantage of them.

Delinquency. An important symptom of the problems associated with credit to groups is the high level of delinquency. Currently some 32 percent of BANADESA's outstanding loans are delinquent. Many more would have been had they not been refinanced. The sample survey showed that 88 percent of the groups had received a BANADESA loan. Of those receiving loans 73 percent had been delinquent. Of those that were at one time delinquent 35 percent had been refinanced. It can be concluded that BANADESA has tended to finance a large proportion of all groups, presumably when they were organized; but many have not repaid.

This amounts to a considerable income transfer from BANADESA to the groups. However, it is a one-time transfer because, until the group repays, it is not eligible for future BANADESA loans. The lack of current credit is debilitating to the group and virtually condemns it to the vicious circle of poverty. This raises the question as to whether BANADESA should be so willing to make these loans. If indeed the purpose is to subsidize a newly formed group there are other ways without using the credit mechanism that will not place both BANADESA and the groups in financial straights.

Factors that contribute to delinquency tend to be highly associated with land quality. Many groups are located on unfertile soils, or on farms that are distant from markets. Some groups have fertile soils but lack the improvements or infrastructure necessary for water control. These may be the results of the policy of redistributing public lands that were of low intrinsic quality and not benefited by improvements and infrastructure.

Poor markets also contribute to delinquency. High transportation costs and low prices are common due to underdeveloped market structures. Some groups were given advice to grow certain crops by technical agents but found that inadequate markets existed to absorb the production.

In general, technical assistance is lacking. Most groups have received little advice and, when it has been given, it has not been well thought out.

Group organization is undoubtedly another factor contributing to delinquency. Groups that are recently formed may not have developed the experience in collective farming nor the cohesiveness to function well.

There is another factor that also appears to be of considerable importance in contributing to delinquency. This is that BANADESA lends money to the group to pay full wages to its members during the growing season. As such the members get first claim on the loan and should there be production or marketing problems there may be insufficient revenue to pay back the loan. When this occurs, the members get a short-term income gain but at the cost of future incomes as future credit is denied because of the resultant delinquency. Moreover, it might be argued that this system lessens the incentive for the group to be concerned about efficient production because the members have already gained their labor share and, thus, do not feel the pressure to work harder and more efficiently to raise production. The resultant lack of more efficient production lessens revenues and could contribute to the delinquency problem.

Clearly there are a number of factors that can be changed to reduce delinquency and improve the benefits of credit to the reform sector. These include better initial land, more infrastructure to control water, improved markets, more and more appropriate technical assistance, greater emphasis on properly organizing groups before they receive credit and the elimination of, or a reduction in, the amounts loaned to groups to cover members' wages. Were these measures undertaken it is likely that delinquency would decline considerably.

Political economy of credit. Earlier the political economy of Honduran land reform was established. The manner in which credit is extended to the reformed sector, especially that lent by BANADESA, reinforces this argument. Indeed,

high level BANADESA officials told the authors that they were very sensitive to the pressures placed on the Bank by the reformed sector.

The fact that BANADESA apparently makes loans to most new groups, often based upon flimsy feasibility studies or with reasonable expectations that the loans will not be repaid is evidence of how the government thinks it necessary to subsidize the sector. The temporary income transfers that are part of the credit delivery system are an important means by which the government, through BANADESA, can patronize the sector. The fact that BANADESA does not actively push for repayment of delinquent loans is another indicator.

The future pressures upon the government for land reform and for BANADESA to supply credit to the reformed sector will perhaps be even stronger than at present given the increasingly large numbers of rural landless in combination with greater pressures for land reform in the current political environment. Under these circumstances it can be expected that the government will continue to expand land reform and, as part of the package, credit services. The present study sheds some light on measures that would be important in the credit expansion program. This report concludes with our recommendations.

Recommendations

1. In addition to developing programs and policies for expanding the credit flow to the reformed sector strong efforts need to be directed to correcting the deficiencies surrounding the present programs in order to improve the efficiency of credit use in the reformed sector.

2. In the present setting the major problems concerning credit use in the reformed sector do not emanate from the credit problems per se but rather from the whole set of factors that surround the use of the credit in the sector.

These include: the quality of land, the availability and quality of technical assistance, the presence of adequate markets, and the organizational capabilities of the individual reform groups. If these factors, that constitute the environment in which credit operates, were properly in place the chances of credit being used efficiently and loans being repaid would substantially increase. Were this to occur the economic viability of the several reform groups as well as the reformed sector would follow.

Therefore, it is clear that considerable efforts need to be directed towards improving the total environment surrounding production in the reformed sector. If this is not done then our prognosis is that many reform groups, both those presently in existence, and those to be constituted in the future will mire in a state of stagnation due to loan delinquency. Some specific recommendations are:

- a. Improve the land quality of the reformed sector. In future land reform do not place groups on land of marginal quality. Moreover, develop a proper transportation and water control infrastructure to service the newly settled areas. In established areas, where necessary, undertake land improvements to improve the quality of land.
- b. Improve marketing. All too often reform groups were programmed to grow crops for which the market had not been adequately developed. Other groups suffer from lack of transportation infrastructure and/or storage facilities. Where appropriate encourage groups to tie in with commercial marketing firms to ensure adequate markets.
- c. Improve technical assistance. The inter-institutional system is a good move in theory but in practice has proven to be ineffective because it has not provided the services needed. This may be due to organizational or structural deficiencies or it may be due to "inherent weaknesses in the preparation of the technicians involved to undertake the work asked of them.

- d. Improve the organization of the reformed groups. When collective farming and group credit is used it is fundamental that the groups be well organized and cohesive in order to have long-run success and viability to function as a group. The current efforts of INA and the *campesino* organizations need to be reinforced.
- e. Attention should be directed towards forming alternative structures of groupings of reform groups in order to more efficiently reach the reform groups with credit and other services. The ANACH-type regional cooperatives are one possibility. Another is the integral cooperative-type presently being developed by DIFOCOOP.

3. The credit programs per se in the reformed sector are less problematical for the future development of the sector than is the above-mentioned environment in which the credit operates. However, there are a number of ways in which the credit programs could be improved.

- a. The collective mode of farming should be maintained. It lends itself well to the group lending credit delivery system. It is compatible with the concept of the reform group.
- b. In the case of BANADESA credit, efforts should be made to pare out the excessive paperwork and associated transactions costs. Although such costs are not onerous for group lending because they are spread over many group members, they still represent an excessive amount of time for the group officials.

Even more important is the effect of these costs on BANADESA. The Bank's operating costs could be reduced substantially were their operating procedures drastically simplified.

- c. The arrangement between MNR and BANADESA specifying that the MNR agent must sign off prior to all BANADESA disbursements does

not appear to be very effective as a program of technical assistance nor as a control over loan use.

- d. The BANADESA practice of lending for full wages of group members should be revised since it destroys incentives and hinders repayment. Perhaps it should be eliminated or at least modified to provide only partial wage payments until the loan is repaid. In our view this move would reduce delinquency considerably. Such action would be expected, however, to meet considerable resistance from the *campesinos* who are long accustomed to this income transfer.
- e. The differentials in BANADESA interest rates should be eliminated such that the rates are uniform across various enterprises. As now structured the differential rates serve to foster credit diversion and provide income transfers. Reform sector interest rates should be at the same level as those for banks in the rest of the agricultural sector.
- f. Efforts should be made to look to other sources, aside from BANADESA, to supply credit to the sector. Some commercial banks and marketing-processing firms have already demonstrated their willingness to lend for certain enterprises and under certain arrangements. Efforts need to be explored to further develop these sources of credit.

4. Greater emphasis needs to be placed on savings mobilization in the reformed sector. Increasing evidence around the world shows that small and even poor farmers save. Most groups have provisions for savings already in place. Given the right interest incentives group members should save within the reform group and thus provide an additional means for self-financing within the groups as well as financial intermediation among group members.

5. Finally, if it is necessary to subsidize reform groups, by means of income transfers, especially when they are first established, don't use the credit mechanism. It only serves to create serious long-run problems for both the groups and lending institutions.

ENDNOTES

1. There are three types of structures under which reform groups are organized. First are Agricultural Enterprises which can be formed with five members and were established by the 1975 Agrarian Reform Law. Second are Cooperatives which are organized under Honduran cooperative legislation. The third is asentamientos which have a less formal structure and formally require twelve members although many have less.
2. Agency for International Development, Agricultural Sector Assessment for Honduras (Tegucigalpa); August, 1978, p. 9.
3. Ejidal lands are defined as those lands whose usufruct rights have been passed to municipalities' local communities.
4. The seven projects and founding dates are: Catacamas, 1951; Valle de Lean, 1954, Guaymas, 1958; Monjaras, 1959; La Ola, 1959; Taita-Bicoche, 1960; and Buena Vista, 1961. These projects were under the supervision of MRN.
5. Posas, Mario, El movimiento campesino hondureño (Tegucigalpa, Editorial Guaymuras 2, May 1981), p. 31.
6. Ibid.
7. The legal minimum size of a reform group depends on its organizational structure. The agricultural enterprises can be organized with five members while the *campesino* groups and cooperatives need twelve members. This rule does not appear to be enforced by either INA, BANADESA or the campesino organizations.
8. The results from the sample survey demonstrated that reform groups with pasture area but without cattle projects tend to rent their pasture land. This appears to be a major income source for groups without formal credit in 1981. Rent income is either distributed among members or applied to the collective projects.
9. Posas, Mario, lucha ideológicas y organización sindical en honduras 1954-65 (Tegucigalpa, Editorial Guaymuras 2, May 1981), p. 41.
10. Posas, Mario, El movimiento campesino hondureño (Tegucigalpa, Editorial Guaymuras 2, May 1981), p. 15.
11. See Appendix A.
12. Data from chapter in this report by Douglas Graham and Carlos Cuevas entitled "BANADESA-Delinquency Question, Lending Costs and a Review of the Transactions Costs Survey. See this chapter for a detailed discussion of BANADESA delinquency.
13. The interest rate charged on each loan was weighted by the loan size of each loan and then the average was computed.

14. The average wage received per worker was 5.9 lempiras per day.
15. To the extent this were to occur on a large-scale basis, say due to a major new credit program, it would be expected to impact on regional labor markets by reducing the supply of available labor.

ANNEX A
SAMPLE SURVEY DESIGN

The reformed sector credit study was complemented with a field sample survey consisting of interviews with 48 reform groups and 271 members of those groups. In general, the objectives of the reform group survey was to determine the credit use and borrowing costs associated with credit use for the one-year period, September 1980 - August 1981. Comparisons were to be made among reform groups with credit and among reform groups without credit. Individual members of these groups were also surveyed with the objective to assess the credit use and borrowing costs of informal credit alternatives by those members.

The sample of reform groups to be interviewed was drawn from a list of groups supplied by INA and then stratified by region, by *campesino* organization and by 1981 credit use and non-use.

The three regions included in the sample were the Choluteca area, the San Pedro Solis area and the Atlantic Coast. The basic consideration for choosing these three regions was the heavy concentration of reform groups in them. There were 980 groups in the three regions or 72 percent of all reform groups. Thus, with this concentration of groups the sample would be more representative of all the reform groups in Honduras.

The groups were further stratified by affiliation and non-affiliation with *campesino* organizations. Each *campesino* organization employs its own strategy for support services to their affiliates, including credit services. Since one of the major objectives of the study was to evaluate the credit performance in the reformed sector, it was determined that the influence of these organizations would be an important aspect. The independents were also included in the

sample in order to test the credit performance and credit use of these groups compared to the affiliated reform groups.

The final stratification of the sample was by use and non-use of credit. Under the time frame for the survey it was estimated that approximately 48 groups would be interviewed, or 3 groups a day, by the trained team of five interviewers. The survey instrument took about 2 hours to complete. Thus 16 groups were interviewed to each region, 6 with credit and 10 without credit. This proportion was selected in order to reflect the total proportion of groups receiving credit in the country and to allow comparison of credit groups by *campesino* organization.

Group members were chosen according to their immediate availability. Initially, a structural random approach was tried but it resulted in excessive delays because it was impossible to obtain lists of members from non-credit groups. Therefore, it was determined that, under the limited time frame, the advantages of an increased sample size would outweigh the disadvantages of a more scientific sample draw. There was an average of 5.6 members interviewed per reform group.

IX

CHANGING PRICE INCENTIVES FOR
HONDURAN CROP AGRICULTURE

By

Douglas Southgate

In order to help identify recent changes in the crop agriculture sector's use of financial capital, this chapter identifies trends in economic incentives for Honduran crop producers during the past ten years. In the first section of the chapter, recent trends in different economic sectors' value added per unit of production are examined. This analysis suggests how well crop agriculture has been able to compete for financial and other resources with other sectors of the Honduran economy. The second section traces changes since 1970 in prices for different crops and agricultural inputs. From this discussion, one can identify incentives to redirect resources from the production of one crop to another during the past decade.

The third section of this chapter assesses how government policy affects price incentives operating within the crop agriculture sector. The policies discussed include consumer price controls and export taxes. Also examined in some detail are the sets of policies administered by two quasi-governmental organizations: the Instituto Hondureño del Café (IHCAFE), which oversees domestic and international marketing of the country's coffee crop, and the Instituto Hondureño de Mercadeo Agrícola (IHMA), which attempts to stabilize and support prices in the markets for the country's four basic grains (corn, rice, beans, and sorghum). Finally, in order to show how Honduran agriculture has responded to changing economic incentives, the fourth section contrasts

crop production trends during the past ten years with contemporaneous trends in real prices for agricultural products.

I. TRENDS IN RELATIVE INCENTIVES: CROP AGRICULTURE VERSUS OTHER SECTORS

During the 1970's, food prices in Honduras exhibited some very dramatic nominal increases. Table 1's data indicates that, since 1971, retail food prices rose 130 percent while the consumer price index (CPI) rose only 112 percent. Except for 1976 and 1979, the rate of increase in food prices outstripped the rate of CPI growth in each year of the 1971-1980 period. A reading of Appendix Table 1 shows that the same relationship between food prices and the CPI can be observed in the country's two major cities, Tegucigalpa and San Pedro de Sula.

Based on a comparison of rates of growth in retail food prices and the CPI, arguments have been made that relative rises in real food prices allowed for the accumulation of capital during the 1970's, which could have been used for investment throughout the Honduran economy.* Of course, this argument falters on two counts. First, because food purchases account for over half of the expenditures needed to acquire the market basket of goods and services that the Banco Central de Honduras uses to calculate the CPI, that index is a poor barometer both of inflation and of food price increases' impact on inflation. Second, as is shown in the following section, a sizable rise in agricultural input costs has accompanied recent food price increases. Therefore, it is incorrect to conclude that the sum of profits,

* Valladares, Edmunds, "Analysis Critico del Modelo de Financiamiento del Desarrollo Aplicado en Honduras," p. 139.

TABLE 1

RATES OF INCREASE IN CPI AND RETAIL FOOD PRICES, 1971-1980

<u>Year</u>	<u>% Increase in CPI</u>	<u>% Increase in Food Prices</u>
1971	2.12	3.18
1972	3.61	4.75
1973	5.67	5.79
1974	12.38	16.51
1975	8.22	9.33
1976	4.95	3.93
1977	8.53	11.33
1978	5.72	6.14
1979	5.79	7.97
1980	18.80	19.17
Entire Period	111.62	130.13

Source: Banco Central (See Appendix Table 1)

rents, and wages has increased in the agricultural sector at anywhere near the rate at which food prices have risen.

A more accurate indication of changing incentives to invest in a cropping enterprise is gained from a comparison of growth in crop agriculture's value added (i.e., wage, rents, and profits) per unit of production with growth in other sector's per unit value added (PUVA). Such a comparison can be made on the basis of data reported in Appendix Table 2. Each entry in that table reports the following ratio:

$$\frac{\text{change in PUVA in crop agriculture since base year (1966)}}{\text{change in PUVA in other sector since base year}}$$

The other sectors include livestock, manufacturing, service, and government. (For an explanation on how this ratio can be derived using Banco Central data, see the methodological note at the end of this chapter.) All other things being equal, a value of less than 1.00 indicates relative growth since the base year in incentives to invest outside of crop agriculture.

The general lesson to be drawn from Table 2 is that crop agriculture was a much worse investment (when compared to the options) in 1971 than it had been five years earlier. Furthermore, it has taken some time for that sector to make a rebound. In 1974, the relative attractiveness of investment in crop agriculture and the service industries was about what it had been in 1966. In 1976, crop agriculture recovered the same relative position viz. livestock and the public sector that it had occupied ten years earlier. Finally, throughout practically all of

TABLE 2

RELATIVE CHANGES IN VALUE ADDED PER UNIT OF PRODUCTION:* CROP AGRICULTURE VERSUS OTHER SECTORS, 1966-1980

<u>Year</u>	<u>Crop Agriculture vs. Livestock</u>	<u>Crop Agriculture vs. Manufacturing</u>	<u>Crop Agriculture vs. Service Industries</u>	<u>Crop Agriculture vs. Public Sector</u>	<u>Crop Agriculture vs. Rest of Economy</u>
1966	1.00	1.00	1.00	1.00	1.00
1970	0.80	0.84	0.92	0.88	0.89
1971	0.71	0.75	0.80	0.65	0.77
1972	0.73	0.81	0.87	0.72	0.83
1973	0.77	0.83	0.88	0.74	0.84
1974	0.72	0.87	1.00	0.81	0.89
1975	0.89	0.97	1.13	0.93	0.99
1976	1.03	0.99	1.20	1.01	1.05
1977	1.10	1.03	1.39	1.19	1.09
1978	1.02	1.05	1.40	1.22	1.09
1979	1.01	0.94	1.24	1.14	1.01
1980	1.17	1.08	1.40	1.31	1.12

* For explanation of how indices are calculated, see methodological note.

the post-1966 period, the relative incentives to make an investment in manufacturing rather than in crop agriculture were stronger than they had been in 1966. Only in three years (1977, 1978, and 1980) after 1966 was the reverse true.

Since much of Honduras's beef is shipped in a processed form to the United States, the evidence that the livestock sector offered more lucrative investment options during much of the 1966-1980 period suggests that there were relative incentives to produce for export rather than for domestic consumption were strong during the same period. In the following section, this incentive to produce for export will be clarified through an analysis of price changes within the crop agriculture sector.

Besides the gradual improvement in incentives to invest in crop agriculture that has occurred since 1971, another pattern can be discerned from Table 2's indices. From time to time, that sector's per unit value added has increased markedly relative to other sectors' values. For example, crop agriculture's per unit values were pulled up in 1975 because of the food price rises that followed in the wake of poor harvests. Similarly, in recent years, civil strife in neighboring countries has inflated food prices throughout Central America. These price increases have improved the relative size of crop agriculture's value added per unit of production.

However, it should be noted that "boom" years, such as 1975, are usually followed by years in which prices return to more normal real levels. This, in turn, retards the rate of growth in Table 2's indices. It should be expected that entrepreneurs

cognizant of this pattern would refrain from making long-term investments in cropping operations based simply on an analysis of conditions prevailing in the boom years. Indeed, the stochastic pattern of agricultural returns indicated by Table 2 might discourage investment.

II. TRENDS IN INCENTIVES WITHIN CROP AGRICULTURE.

Agriculture in Honduras encompasses a wide variety of production activities. The Banco Central includes crop agriculture, silvaculture, poultry and livestock raising, and fishing in the agricultural sector. Even within crop agriculture, activities range from highly mechanized operations, which produce export crops, to small units, which use primitive techniques to produce crops for just the farmer and his family. One obviously gets only a very general idea of the economic realities facing farmers from an analysis of value added in the crop agriculture sector as a whole.

This section uses two methods to provide more precise information about how economic conditions within the crop agriculture sector have changed since 1970. First, terms of trade statistics and value added data for Honduras's principal crops are analyzed. Second, trends in prices for selected agricultural outputs are compared with trends in prices for major inputs. The former analysis strongly suggests that there were strong incentives during the 1970's to shift from crops (e.g., basic grains) destined for internal markets to export crops (especially cotton and coffee). The comparison of output and input price trends

shows that incentives for basic grain farmers to mechanize did not compare well with export farmers' incentives to do the same.

a) Terms of trade data and value added/total value added ratios

Table 3 reports terms of trade among seven of Honduras's major crops: the four basic grains in addition to bananas, coffee, and cotton. It should be emphasized that those data probably exaggerate ratios of farm-gate basic grain prices over farm-gate export crop prices. Unlike the prices of bananas, coffee, and cotton, prices for the basic grains vary significantly during the crop year. (The extent of this variation is indicated in Appendix Tables 5 through 8.) Since the prices that farmers receive for their output is usually closer to the annual minimum, Table 3's data overstates the relative incentives during any single year to produce corn, beans, rice, and sorghum. Nevertheless, a comparison of terms of trade in two different years does provide good information about trends in incentives.

When interpreting the table, the reader should remember that datum "i,j" (i.e., the figure found at the intersection of row i and column j) in any one year (1970 or 1980) equals the price of the product listed at the top of column j divided by the price of the product listed to the left of row i. For instance, the ratio of sorghum's price to banana's price in 1980 equalled 0.88. (The price data used to formulate Table 3's statistics are reported in Appendix Tables 4 through 8 and on other detailed data on wholesale prices of basic grains not reproduced in this report.)

TABLE 3

TERMS OF TRADE AMONG CROPS, 1970 and 1980

	<u>1970</u>						
	<u>Bananas</u>	<u>Coffee</u>	<u>Cotton</u>	<u>Corn</u>	<u>Beans</u>	<u>Rice</u>	<u>Sorghum</u>
Bananas	---	10.75	4.26	0.91	2.49	2.74	0.89
Coffee		---	0.40	0.08	0.23	0.25	0.08
Cotton			---	0.21	0.58	0.64	0.21
Corn				---	2.73	3.00	0.98
Beans					---	1.10	0.36
Rice						---	0.32
Sorghum							---
	<u>1980</u>						
	<u>Bananas</u>	<u>Coffee</u>	<u>Cotton</u>	<u>Corn</u>	<u>Beans</u>	<u>Rice</u>	<u>Sorghum</u>
Bananas	---	14.10	6.00	0.97	3.22	2.73	0.88
Coffee		---	0.43	0.07	0.23	0.19	0.06
Cotton			---	0.16	0.54	0.46	0.15
Corn				---	3.31	2.81	0.90
Beans					---	0.85	0.27
Rice						---	0.32
Sorghum							---

Source: derived from data published by Banco Central de Honduras

Table 3's data suggest that price incentives altered sharply during the 1970's. Let us consider in order the terms of trade for the four basic grains: corn, beans, rice, and sorghum.

Corn prices rose slightly in relation to both rice and sorghum prices during the 1970's. In and of itself, this should have promoted a switch toward the cultivation of corn. For example, a farmer in 1980 might have chosen to double-crop corn rather than harvest both corn and sorghum from a single field during one growing season, as he might have done in 1970. The impetus toward increased corn production was mitigated, however, by a decline in the terms of trade between corn and cotton. Land in many parts of Honduras can easily be switched from corn to cotton production. The incentives to do so were especially strong in the late 1970's.

The terms of trade between corn and beans (which, among the basic grains, exhibited the largest growth in terms of trade) also fell during the 1970's. However, the production effects of this decline were not all that significant. Since the cultivation of beans requires specialized soil conditions, farmers' ability to switch land from corn to bean production is limited.

Rice production is also limited by particular soil and moisture requirements. If anything, though, the economic costs associated with natural constraints declined during the 1970's because rice prices failed to rise as quickly as did prices for coffee, cotton, corn, and beans. Rice maintained its terms of trade position relative to bananas and gained slightly on sorghum.

Finally, sorghum prices experienced a relative rise versus prices for six other crops during the early 1970's. However, by 1980, the terms of trade between sorghum and the other crops had fallen back to levels prevailing ten years earlier.

Let us now examine terms of trade for the three export crops. Cotton prices rose by a greater degree during the 1970's than did the prices for the other six crops. Its terms of trade with each of the four basic grains improved during the period. Increases in cotton prices exceeded contemporaneous rises in banana prices and, although coffee prices experienced a relative peak in 1977 and 1978, by the late 1970's the ratio of cotton to coffee prices exceeded the ratio observed during the early 1970's. As will be shown later in this chapter, these strong price signals stimulated sizable increases in cotton production in the closing years of the decade.

With the exception of cotton, coffee's terms of trade with other crops tended to improve between 1970 and 1980. Coffee prices rose much more rapidly than did banana prices. This stimulated a rate of increase in coffee production during the 1970's that far exceeded the rate of increase in banana production. Table 3's statistics do not reflect the effects of the coffee boom, which occurred in 1977 and 1978. During that time, of course, there existed tremendous incentives to invest in coffee production.

Bananas are still, by far, Honduras's major export crop. The international banana market is the only world commodity market in which Honduras plays anything other than a very minor

role. However, as Table 3 shows, terms of trade between bananas and all other crops except rice and sorghum were at a lower level in 1980 than they had been ten years earlier. Even the terms of trade viz. rice and sorghum declined during the first half of the decade.

The comparatively sluggish rate of growth in banana prices does much to explain why banana production failed to increase at anything close to the rates of increase observed in the coffee and cotton sectors. Besides explaining why the banana crop has lost some of its preeminent standing in the Honduran agricultural economy, an examination of bananas' declining terms of trade provides an economic explanation of why there has not been intense political pressure within Honduras to establish the same type of marketing controls that now exist for coffee (see following section). For a review of the relatively low prices for bananas vis-a-vis other export crops up to 1979 see the detailed price series for the 1970's in Appendix Table 4.

Of course, a terms of trade analysis does not provide entirely reliable information about changing economic conditions within a sector or an economy. In the present case, a swing in the terms of trade in favor of one crop might signify that its production costs have been increasing rapidly. In order to distinguish cost-induced fluctuations in terms of trade from fluctuations that signal increasing profitability of growing a particular crop, it is necessary to couple the terms of trade analysis to an analysis of trends in value added for different crops.

Because available data do not allow for the identification of per-unit value added for all seven crops, ratios of value added to total value have been calculated for selected crops. Table 4 reports these ratios for the years 1970 through 1980. The ratio for crop i in any year, t , is calculated by dividing value added for the crop in year t by the same year's total value of production. The former datum is found in Appendix Table 9 and the latter datum is found in Appendix Table 10.

Because data contained in the two appendix tables have been rounded off to the millionth lempira, Table 4's statistics are useful for identifying only the most basic of trends in value added/total value ratios. Nevertheless, they do indicate that not all crops suffered similar price-cost squeezes during the 1970's. The ratio for the entire crop agriculture sector declined by nearly 15 percent between 1970 and 1980. The lowest relative decline occurred in the four basic grains; margins for corn, beans, rice, and sorghum fell by approximately 5 percent. The value added/total value ratio for coffee exhibited a sharper decline (of more than 12 percent), while the decline for bananas was the most extreme (28 percent).

The analysis of these ratios corroborates one conclusion of the terms of trade analysis: there were incentives during the 1970's to channel financial and other inputs from banana production to the cultivation of other crops. On the other hand, that basic grains exhibited a below average decline in the ratio of value added/total value suggests that the general decline in

TABLE 4

RATIO OF VALUE ADDED TO TOTAL VALUE, SELECTED CROPS, 1970-1980

<u>Year</u>	<u>Corn</u>	<u>Other Basic Grains*</u>	<u>Coffee</u>	<u>Bananas</u>	<u>All Crop Agriculture</u>
1970	90%	90%	90%	71%	79%
1971	92	89	92	64	74
1972	90	94	93	68	77
1973	90	94	81	70	76
1974	90	90	83	62	74
1975	85	93	82	53	73
1976	85	90	82	52	70
1977	85	90	93	54	71
1978	85	88	86	52	70
1979	86	84	84	52	70
1980	85	86	79	51	68

* beans, rice and sorghum.

Source: Banco Central de Honduras

terms of trade between the basic grain and export crop subsections overstates the incentives to channel resources toward the latter. However, the relatively low decline in the ratio for basic grains might reflect nothing more than the fact that basic grain production in Honduras is largely unmechanized.

b) Trends in relative prices for agricultural outputs and inputs

In order to understand better why value added as a percentage of total value has declined in crop agriculture (see Table 4), this subsection compares changes in output prices with simultaneous changes in input prices. The seven outputs discussed in this subsection are the same whose terms of trade are examined in Subsection 11-a: corn, beans, rice, sorghum, coffee, cotton, and bananas. The inputs discussed are fuels, fertilizers, insecticides and other chemical inputs, tractors, and machetes (see Tables 5 and 6).

Appendix Tables 11 through 16 report prices observed since 1971 for selected agricultural inputs. The prices of all inputs have risen substantially during the past decade. The most dramatic increases have been observed in prices for commodities derived from petroleum. In the wakes of the 1973 Arab oil embargo and the shortages resulting from the 1980 initiation of the Iran-Iraq War, the prices of all chemical fertilizers, insecticides, fungicides, and herbicides shot up. The prices of natural fertilizers, like urea, were also pulled up as producers around the world tried to substitute away from manufactured fertilizers. The rate of fuel price increases was quite dramatic as

TABLE 5

PRICE TRENDS FOR SELECTED AGRICULTURAL PRODUCTS, 1972-1979

<u>Product</u>	<u>1972 Price</u>	<u>1979 Price</u>	<u>Annual Rate of Growth in Prices</u>
Exports			
Bananas	L 0.20/Kilo	L 0.40/Kilo	10.4%
Coffee	1.68/Kilo	5.90/Kilo	19.7
Cotton	0.96/Kilo	2.64/Kilo	15.5
Basic Grains			
Corn	6.61/CWT	15.82/CWT	13.3
Beans	16.74/CWT	37.34/CWT	11.5
Rice	29.31/CWT	55.00/CWT	9.4
Sorghum	6.84/CWT	15.09/CWT	12.0

Sources: Banco Central de Honduras, Secretaria de Recursos Naturales

TABLE 6

TRENDS IN PRICES OF SELECTED AGRICULTURAL INPUTS, 1972-1979

<u>Product</u>	<u>1972 Price</u>	<u>1979 Price</u>	<u>Annual Rate of Growth in Prices</u>
Fertilizers			
12-24-12	L 13.05/CWT	L 24.48/CWT	9.4%
12-12-17-2	13.20/CWT	26.90/CWT	10.7
Urea 46%	12.05/CWT	22.15/CWT	9.1
Insecticides			
Malathion 25%	120.00/CWT	187.50/CWT	6.6
Aldrin 2.5%	30.00/Cwt	60.00/CWT	10.4
Fungicides and Herbicides			
2-4-D (a 46-480)	8.50/Gal	17.46/Gal	10.8
Benlate	10.93/Lb	27.50/Lb	14.1
Fuels			
Regular Gasoline	0.96/Gal	3.18-3.32/Gal	18.7-19.1

Source: Appendix Tables 12 through 15.

well. Between 1972 and mid-1981, the state-controlled price of regular gasoline in Honduras quadrupled.

As petroleum price rises pushed up production and transportation costs around the world, the prices for other imported inputs used in Honduras also increased. Appendix Table 15 shows that prices for two of the tractors found most often in the country increased by more than 50 percent. Similarly, the price for a machete rose by more than 45 percent from 1972 to 1978 (see Appendix Table 16).

In general, crop price increases matched or exceeded price increases for all inputs except liquid fuels. It should be noted, however, that some basic grain producers were more affected by input price rises than were export crop farmers. For example, rice prices failed to grow as rapidly between 1972 and 1979 as did the price of benlate, a fungicide used extensively by rice cultivators. Such evidence suggests that there were not strong incentives for basic grain producers to mechanize during the past decade.

Appendix Table 14 indicates that fuel prices rose more rapidly than did the prices for six of the crops studied here. Since gasoline and diesel fuels are required for a number of critical tasks in agriculture (e.g., running machinery, transporting crops to market, etc.), all crop producers in the country have been affected by this event. Obviously, mechanized farmers incur substantially higher operating costs any time diesel prices rise at the rate observed during the last decade. But non-mechanized farmers' incomes suffer as well. As Table 7

TABLE 7

FARM LEVEL AND WHOLESALE PRICES FOR BASIC GRAINS, 1976-1979

<u>Crop</u>	<u>Farm-Level</u>	<u>Wholesale</u>
	<u>1976</u>	
Corn	L 8.50/CWT	L 10.71/CWT
Rice	25.00	41.84
Sorghum	6.50	11.90
Beans	19.50	28.86
	<u>1977</u>	
Corn	10.00	17.88
Rice	29.50	43.86
Sorghum	7.75	21.63
Beans	21.50	36.61
	<u>1978</u>	
Corn	12.00	17.16
Rice	32.50	52.04
Sorghum	8.25	16.87
Beans	22.50	38.95
	<u>1979</u>	
Corn	12.50	15.82
Rice	32.50	55.00
Sorghum	8.75	15.09
Beans	27.25	37.34

Source: Departamento de Economía y Estadística Agrícola,
Secretaría de Recursos Naturales

shows, there is a substantial difference between farm-level prices and wholesale prices for basic grains in Honduras. Much of this difference can be accounted for by the high cost of transporting crops from remote farms to urban markets.

III. GOVERNMENT CONTROLS OVER CROP AGRICULTURE

Public intervention in markets for agricultural products takes a variety of forms in Honduras. This section reviews some of the major policies affecting the crop agriculture sector. They are (a) consumer price controls, (b) taxes on exports and agricultural inputs, (c) the coffee marketing policies administered by IHCAFE, and (d) IHMA policies that control the marketing of basic grains. The purpose of this section's review is to suggest how these taxes and controls on markets affect production incentives for Honduras's crop producers.

a) Consumer price controls

Since the passage of Decree 91 in 1972, the prices of an increasing number of goods, including food products, have been subject to controls set by the Dirección General del Comercio Interior of the Secretaría de Economía. Maximum prices have been set at the retail level and, in many cases, at the wholesale level. Changes are approved by a three-person committee, which includes representatives of the public sector, the business sector, and labor.

Officials of the Dirección General cite the need for more personnel to enforce price controls. Given the manpower shortage, it has been difficult for that agency to determine the

extent of compliance with the maximum price laws. Neither has there been any study about the effects on agricultural production of enforcement of price control laws.

b) Tax policy

Two types of taxes have the most direct impact on the crop agriculture sector. First, there are different types of export taxes assessed against shipments of coffee and bananas. Second, taxes are levied against imported inputs.

With the exception of the income tax, the export tax on coffee generates more public revenue than does any other tax or levy in Honduras. The graduated rate for the coffee tax is as follows:

<u>rate:</u>	<u>value of coffee in Honduran port:</u>
10%	less than L 100 per hundred pounds
15	between L 100 and L 120 per hundred pounds
20	more than L 120 per hundred pounds

Given that coffee output has responded markedly to price changes (see Section IV), one can expect that this tax has had substantial production and welfare impacts.

In 1974, a tax on banana exports was instituted. The level of that tax in 1980 was one lempira per forty-pound box. Given the average f.o.b. value of banana exports in that year, the ratio of the export tax to f.o.b. value was 0.11. Officials of the Corporacion Hondureña del Banano (COHBANA), estimate that producer prices equal less than three quarters of f.o.b. value.

Given that estimate, the effective rate of taxation of producer revenues is better than 15 percent.

Besides these and other taxes on outputs, the disincentives to produce crops include a number of taxes and duties that boost import costs. The import duty on tractors, for instance, is 7 percent of c.i.f. value. Because of a 5 percent tax on c.i.f. value, a customs fee of L 18.50 per ton and port fees and taxes totalling 8.20 per ton, there was a 37 percent difference in 1980 between the landed price for urea and the price Honduran farmers pay for the same product. The difference between the farm-level urea price in Honduras and the American farm-level price for the same product was roughly 40 percent in 1980.

c) IHCAFE's role in coffee marketing

IHCAFE, the Honduran coffee marketing institute, offers a number of services (e.g., credit, extension, and marketing) to the country's coffee producers. In addition, that agency administers a marketing control scheme meant to protect Honduran consumers from fluctuations in international coffee prices. Besides accomplishing this goal, however, the scheme also imposes financial burdens on IHCAFE and slightly alters incentives for producers.

The mechanism for allocating coffee to the domestic market works in this manner. At the beginning of any crop year, which runs from October 1 through September 30, IHCAFE estimates the size of that year's coffee crop. It then identifies the share of the production needed to satisfy domestic demand. Currently,

that share equals 8 percent. Producers are obliged to sell the same percentage of their crop to IHCAFE at controlled prices, which depending on coffee grade equal 90, 95, or 100 lempiras per hundred pounds. In practice, this exchange between producers and IHCAFE is made indirectly, through coffee exporters. IHCAFE, in turn, sells its coffee to domestic roasters at prices of 100, 105, or 110 lempiras per hundred weight.

Honduran coffee finds its way into two types of export markets. One is the market in countries that are members of the ICO. International agreements set a quota for Honduran shipments to this market. Any balance remaining after domestic consumption and the ICO quota have been subtracted from production plus inventories is available for export to non-ICO (chiefly middle eastern) countries. For example, in the 1980/81 crop year, 165 million pounds of coffee were produced. Initial inventories (i.e., inventories on October 1, 1980) equaled 8.7 million pounds. The allocation for domestic consumption equaled 8 percent of 165 million pounds, or 13.2 million pounds. At the beginning of the crop year, the ICO quota equaled 140 million pounds. Therefore, approximately 20.5 million pounds were available for export to the non-ICO market. Any portion of the latter 20.5 million pounds remaining at the end of the crop year is carried forward into the next year as inventories.

Much of IHCAFE's financing comes from its domestic marketing activities. Specifically, income is generated by buying coffee from producers at the 90 to 100 lempira price and then selling to roasters at the 100 to 110 price. However, the marketing program

also entails costs for IHCAFE. There are expenses associated both with operating more than 50 regional offices around the country and with maintaining inventories. The latter cost grew markedly during the 1980/81 crop year. As a result of the decline in world coffee prices, Honduras's ICO quota was cut by over 12 percent. It is unlikely that this loss in shipments to ICO countries was completely compensated for by an expansion in non-ICO markets. Therefore, inventories, and the cost of holding them, grew. Furthermore, IHCAFE faces the risk of absorbing a financial loss if it has to dispose of accumulated inventories while prices are low.

IHCAFE's policies also affect income and incentives for coffee producers. In effect, requiring sales at below-market prices of a percentage of the coffee crop constitutes an indirect tax on coffee production. However, because much of the coffee sold to IHCAFE at controlled prices is not of sufficiently high quality to be sold in the ICO market, the losses producers incur because of the marketing policy are probably not as great as the producer costs associated with the export tax.

d) IHMA's role in domestic grain markets

In the second half of 1978, the responsibility for stabilizing prices for Honduras's four basic grains was transferred from an agency of the Banco Nacional de Fomento (BNF) to IHMA. It has been anticipated that IHMA will be better able to maintain prices closer to levels that assure adequate farm incomes because its regulatory purview includes only grain

marketing. However, a review of IHMA's performance appears to confirm that a number of factors, including insufficient information about both farm production costs and the private marketing sector, have interfered with the agency's ability to achieve its objectives.

IHMA has tried to accomplish the income support goal by offering guaranteed, minimum prices for corn, beans, and other cereal crops delivered to the agency's rural granaries. (Appendix Table 17 reports support prices since mid-1965.) These prices are supposed to be based on estimates of farmers' production costs. However, IHMA officials admit that data on those costs are not totally reliable. Hence, one cannot be certain that the guaranteed prices assure either adequate producer income or adequate production incentives. Furthermore, one doubts whether most farmers, especially small-scale operators, benefit much from the price support program. Since most farmers rely on middlemen to get their grain to an IHMA warehouse or other markets, the prices they receive for their output differ substantially from market prices. Data on this differential and therefore on the effect of IHMA programs on small farmer incomes is sketchy.

Because the Institute has enough capacity to store only 10 percent of a typical year's crop, it must effect its price stabilization and support goals through a counter-cyclical pattern of purchases and sales. IHMA has followed what a study of commodity price histories would suggest is a stabilizing pattern of purchases and sales. It buys corn, for instance, during or shortly

after the two harvest seasons, which occur late in the calendar year, and concentrates sales of accumulated inventories and imports during the late Spring and Summer. Similarly, it buys beans during the September/October harvest season and sells during April, May, June, and July. (Month-by-month purchases and sales of the four basic grains are reported in Appendix Table 18).

Although IHMA appears to be following a counter-cyclical pattern of purchases and sales, its impacts on granary prices appear to have remained peripheral because the volume of grain handled by the agency has not been large. As a reading of Appendix Table 18 will confirm, IHMA has never purchased more than 10 percent of any year's corn, bean, or sorghum crop. Only in one year, 1979/80, did the Institute buy more than 10 percent of the rice harvest.

Besides the obvious measure of increasing purchases, the strength of the counter-cyclical marketing program could be enhanced in a number of ways. IHMA is still in the process of obtaining basic information about the Honduran grain marketing system. With better data on both consumer demand and the movement of commodities through the private sector, the agency could time its marketing operations better. In addition, if inventory handling costs (currently put by IHMA officials at L. 0.30 per hundred pounds per month) could be reduced, an important financial constraint on the ability to adhere to a counter-cyclical strategy would be removed.

Improved marketing information and reduced inventory handling costs will also help make IHMA self-supporting. The agency is supposed to make money on the difference between the price for which it sells corn, beans, rice, and sorghum and the price it pays for those commodities. Income is also generated by selling the cereals donated by the United States, Argentina, and the European Economic Community. As recently as 1979, however, income gained from these two sources had to be supplemented with government grants and loans.

Finally, it must be said that the last couple of years might prove to be an unfair period upon which to base an evaluation of IHMA. As a result of food market disruptions in neighboring countries, commodity prices have increased markedly. Appendix Tables 19 and 20 show that in 1981 corn and bean prices have been much higher in Guatemala, El Salvador, Nicaragua, and Costa Rica than they have been in Honduras. Of course, this created upward pressure on Honduran prices. It is doubtful that any one agency could have accurately predicted all of the events that created the market disruptions. Neither does one expect that IHMA, alone, can have much effect on the situation. However, as Appendix Table 21 shows, the support prices offered by IHMA in 1981 are substantially below those offered in Nicaragua and El Salvador. To keep more grain in Honduras these support and market prices must rise vis-a-vis neighboring countries.

IV. CONCLUSIONS

Two major conclusions emerge from this chapter's analysis of

trends in the economic incentives operating in the Honduran crop agriculture sector. First, in spite of sharp increases in food prices during the past ten to fifteen years, the relative attractiveness of investments in crop agriculture did not grow appreciably between the mid-1960's and the late 1970's. This conclusion is based on an analysis of changes in different sectors' value added per unit of production (see Section I). The increases in input costs, especially the cost of fuel, that account for crop agriculture's relatively poor performance are documented in the second section of this chapter.

An analysis of terms of trade among crops (see Section II) leads to this chapter's second principal conclusion: a decline in incentives to produce for domestic rather than export markets occurred during the 1970's. Between 1970 and 1980, terms of trade swung against corn, rice, and sorghum and toward coffee and cotton.

Producers have responded to these incentives. As can be seen from a reading of Tables 8 and 9, the absence of strong, upward real price trends for five of the crops studied in this chapter has been matched by constant annual output throughout the past decade. On the other hand, the 50 percent rise in real prices of cotton and coffee has been accompanied by a significant increase in the production of those two commodities. The growth in exported crop output correlates with the increase in the use of imported inputs (see Table 10); export crop producers use the greater part of available supplies of fertilizers and other chemical inputs.

TABLE 8
PRODUCTION ¹ AND REAL PRICES ² FOR THREE EXPORT CROPS
1970/1980

<u>YEAR</u>	<u>BANANAS</u>		<u>COFFEE</u>		<u>COTTON</u>	
	<u>PRICE</u>	<u>PRODUCTION</u>	<u>PRICE</u>	<u>PRODUCTION</u>	<u>PRICE</u>	<u>PRODUCTION</u>
1970	0.17	27,469	1.84	771	0.73	196
1971	0.16	33,645	1.66	827	0.99	126
1972	0.17	30,729	1.43	860	0.81	142
1973	0.17	30,207	1.90	1,093	0.46	268
1974	0.16	25,029	1.97	1,049	1.15	328
1975	0.23	17,329	1.55	1,164	1.12	321
1976	0.20	23,867	2.81	1,140	1.36	193
1977	0.19	26,902	5.29	1,106	1.40	437
1978	0.19	27,153	3.66	1,458	1.13	699
1979	0.18	31,587	2.67	1,712	1.20	466
1980	0.20	31,177	2.80	1,656	1.19	545

1/ in thousands of quintales (100 lbs.)

2/ nominal price (lempiras per kilo) ÷ GDP deflator (1966 = 100)

Source: Banco Central de Honduras

TABLE 9
PRODUCTION ¹ AND REAL PRICES ² FOR BASIC GRAINS
1970-1980

<u>YEAR</u>	<u>CORN</u>		<u>BEANS</u>		<u>RICE</u>		<u>SORGHUM</u>	
	<u>PRICE</u>	<u>PRODUCTION</u>	<u>PRICE</u>	<u>PRODUCTION</u>	<u>PRICE</u>	<u>PRODUCTION</u>	<u>PRICE</u>	<u>PRODUCTION</u>
1970	7.07	7,772	19.28	1,057	21.24	217	6.90	1,292
1971	5.48	7,918	12.23	1,204	25.60	421	5.84	1,321
1972	5.60	7,979	14.19	1,097	24.84	522	5.80	1,341
1973	6.62	7,726	22.74	923	19.82	453	9.30	1,340
1974	6.89	7,902	19.16	1,141	25.41	438	6.86	1,401
1975	10.60	7,563	18.66	1,048	28.77	487	12.16	1,333
1976	6.57	8,332	17.71	948	25.67	502	7.30	1,518
1977	9.99	7,327	20.45	950	24.50	385	12.08	1,346
1978	8.67	7,632	19.67	980	26.28	501	8.52	1,351
1979	7.16	8,217	16.90	968	24.89	534	6.83	1,357
1980	8.74	7,398	28.98	958	24.61	580	7.90	1,365

1/ in thousands of quintales (100 lbs.)

2/ nominal wholesale price ÷ GDP deflator (1966 = 100)

(lempiras per quintal)

Source: Ministry of Natural Resources.

TABLE 10
ANNUAL RATE OF GROWTH IN CONSUMPTION OF
SELECTED IMPORTED AGRICULTURAL
INPUTS

<u>Input</u>	<u>Time Period</u>	
	<u>1970-71 to 1978-79</u>	<u>1970-71 to 1979-80</u>
Fertilizer	1.6%	4.2%
Manures ¹	7.3	0.2
Insecticides, Fungicides and Herbicides	7.0	4.7
Seeds ²	13.9	32.0

1/ Fertilizers of natural (i.p., plant or animal) origin

2/ Imports only (rice, corn, potato, sesame, sorghum, and bean seeds)

Source: Chinchilla

It is interesting to note that the switch to export crops has occurred largely in spite of the goals of government policy. As is pointed out in Section III, export taxes directly discourage the production of coffee and bananas. It would seem that production of basic grains could be encouraged both by strengthening the institutional capacities of IHMA, which is supposed to be intervening in corn, bean, rice, and sorghum markets in order to maintain producer incentives, and by relaxing consumer price controls on food, which, to the extent they are effective, discourage production.

More broadly, the crop agriculture sector as a whole would benefit from changes in a number of government policies. In addition to relaxing price controls and lowering export taxes, reductions in the rather sizable levies on imported inputs (see Subsection III-c) would promote adoption of more productive agricultural techniques. In this way, additional crop outputs could be secured without large increases in food prices.

Methodological Note: Derivation of
Per-Unit Value Added Indices

Section I's indices registering relative growth rates in different sectors' value added per unit of production are constructed using data on total value added by sector for the years, 1970 through 1980. These data, which have been prepared by the Banco Central de Honduras and which are reported in Appendix Table 2, are expressed in two ways. First, a current lempira total for sector i in year t is obtained by subtracting two quantities (first, the current, or year t , lempira value of both the intermediate and imported goods and services used as inputs in sector i and, second, the indirect taxes paid in year t by the sector) from the current lempira value of the sector's total output. Second, a constant (1966) lempira value added total is calculated by subtracting the 1966 lempira value of year t 's inputs and taxes from the 1966 lempira value of the year t 's production.

With two measures of value added available for any sector in a given year, an implicit sectoral deflator for that year can be identified. Referring to a hypothetical sector i in year t , the implicit deflator, D_{it} , is obtained by dividing year t 's current lempira total value added by the same year's constant lempira total value added. This deflator, D_{it} , indicates the nominal increase in value added per unit of production occurring between 1966 and year t .

It is a simple matter, then, to prepare an index that compares relative changes in value added per unit of production for

any two sectors, i and j . Specifically, the value of the index comparing sectors i and j in year t (I_{ijt}) equals D_{it} divided by D_{jt} .

APPENDIX TABLE 1

GENERAL CONSUMER AND RETAIL FOOD PRICE INDICES FOR REPUBLIC OF HONDURAS,
TEGUCIGALPA, AND SAN PEDRO DE SULA, 1965-1980 (1966=100)

Year	Tegucigalpa		San Pedro de Sula		Rep. of Honduras	
	General	Food	General	Food	General	Food
1965	99.8	99.8	98.1	98.2	99.1	
1966	100.0	100.0	100.0	100.0	100.0	
1967	101.2	100.1	103.1	104.2	102.1	
1968	103.8	102.0	105.0	106.0	104.0	
1969	105.7	103.1	106.5	108.3	105.3	
1970	108.8	108.9	109.9	113.3	108.4	110.2
1971	111.2	113.0	112.6	117.6	110.7	113.7
1972	117.0	122.2	115.9	121.2	114.7	119.1
1973	121.3	124.7	123.9	130.1	121.2	126.0
1974	138.6	146.4	137.4	150.4	136.2	146.8
1975	147.6	158.1	150.9	166.7	147.4	160.5
1976	154.7	167.6	157.7	170.9	154.7	166.8
1977	167.7	185.8	169.0	188.0	167.9	185.7
1978	177.9	198.1	178.3	198.7	177.5	197.1
1979	194.0	213.1	193.2	212.6	193.1	212.8
1980	226.0	247.7	234.5	257.3	229.4	253.6

Source: Banco Central de Honduras

APPENDIX TABLE 2

VALUE ADDED* BY SECTOR, 1970-1980

<u>Sector</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980^{P/}</u>
A. In Current Prices:											
Agriculture, Silviculture and Fishing	425	454	496	560	573	571	698	867	1002	1197	1384
Manufacturing	181	198	218	245	280	314	361	435	540	648	778
Service	135	153	170	183	207	216	232	240	280	336	398
Public (including Defense)	44	49	62	58	62	68	84	100	115	134	159
Other	518	554	592	650	752	823	916	1029	1241	1482	1769
Net Indirect Taxes	139	143	151	169	199	220	286	418	460	535	620
Total	1446	1551	1689	1865	2073	2212	2577	3089	3638	4332	5108
B. In 1966 Prices:											
Agriculture, Silviculture, and Fishing	405	438	446	462	417	378	416	448	469	505	491
Manufacturing	170	178	185	192	190	195	215	236	260	281	297
Service	133	140	151	157	167	168	171	170	187	193	197
Public (including Defense)	42	46	57	51	48	49	57	63	67	71	74
Other	443	462	468	492	520	525	548	572	623	666	685
Net Indirect Taxes	127	128	128	135	143	145	176	232	236	250	272
Total	1320	1392	1435	1489	1485	1460	1583	1721	1842	1966	2016

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* in millions of lempiras

P/ preliminary

Source: Banco Central de Honduras

Appendix Table 3

General Consumer Price Index for
Tegucigalpa, By Month, 1970-1980

Year	January	February	March	April	May	June	July	August	September	October	November	December	Average
1970	108.5	107.7	107.3	107.6	108.5	110.2	111.4	111.8	108.6	107.2	107.5	108.6	108.7
1971	110.4	110.1	110.2	110.8	112.9	110.6	111.3	110.0	111.5	111.2	111.1	112.1	111.0
1972	113.9	114.1	115.1	115.6	114.8	115.3	119.8	119.9	120.2	119.1	116.8	119.5	117.0
1973	119.7	120.2	124.6	124.1	124.4	125.8	121.9	120.6	120.2	122.4	125.1	127.5	123.0
1974	129.5	131.3	134.5	137.5	139.2	142.1	142.4	142.6	141.7	141.1	141.4	142.0	138.8
1975	142.8	144.6	144.8	145.9	146.8	147.0	148.0	150.3	149.0	149.6	150.5	151.5	147.6
1976	151.7	152.4	151.8	151.4	152.3	152.3	154.8	156.4	157.1	158.0	159.1	159.1	154.7
1977	159.3	161.5	164.3	171.3	167.8	167.2	170.0	169.5	170.5	169.0	170.2	171.4	167.7
1978	173.1	176.3	175.9	175.7	176.6	177.6	180.6	178.1	178.2	179.7	180.9	182.6	177.9
1979	183.9	183.6	183.4	185.5	186.2	190.1	193.5	195.5	199.7	202.3	207.0	217.8	194.0
1980	218.5	222.1	223.6	223.9	225.2	227.3	229.2	227.3	227.1	231.2	233.3	233.9	226.9

Retail Food Price Index for
Tegucigalpa, By Month, 1970-1980

1970	108.7	106.7	106.0	106.6	108.6	111.9	114.6	115.0	108.1	104.9	106.1	108.8	108.8
1971	113.3	112.4	112.4	113.5	117.7	111.7	113.3	109.8	112.6	111.9	111.7	113.8	112.8
1972	117.1	117.4	119.7	121.0	117.2	117.4	127.5	127.7	128.5	125.8	120.5	126.6	122.2
1973	121.5	122.2	131.8	130.3	131.1	132.9	124.5	121.5	119.6	124.6	130.5	133.0	126.9
1974	133.6	137.2	141.9	144.7	147.6	152.3	152.0	151.5	150.1	148.3	148.6	149.2	146.4
1975	150.1	153.1	153.2	155.2	157.2	157.2	159.7	163.2	160.4	161.4	163.0	163.8	158.1
1976	164.5	165.5	163.8	162.9	163.8	162.8	167.6	169.8	171.2	172.9	177.7	173.9	167.6
1977	170.9	175.2	181.0	196.6	188.0	185.0	189.6	188.5	189.9	185.8	188.2	190.6	185.8
1978	192.5	197.9	196.2	195.2	197.4	199.5	201.4	195.8	195.5	199.1	201.6	205.0	198.1
1979	206.6	205.4	203.0	207.3	207.0	212.2	211.9	213.1	215.0	218.2	223.3	234.3	213.1
1980	235.6	240.6	243.1	243.8	246.7	249.8	253.0	247.0	244.5	253.1	257.6	257.7	247.7

Source: Banco Central de Honduras.

Appendix Table 4
 Average Lempira Value*
 of Selected Export Crops,
 1960-1980
 (in current Lempiras)

Year	Crop					
	Bananas	Grapefruit	Pineapples	Coffee	Cotton	Tobacco
1960	0.156	0.091	0.084	1.524	1.066	0.722
1961	0.185	0.098	0.182	1.438	0.823	0.505
1962	0.202	0.137	0.122	1.437	1.178	0.676
1963	0.195	0.105	0.052	1.388	1.157	1.406
1964	0.194	0.111	0.069	1.778	1.098	1.427
1965	0.189	0.104	0.065	1.778	1.102	1.431
1966	0.180	0.109	0.088	1.294	1.030	2.418
1967	0.185	0.112	0.069	1.597	1.017	2.115
1968	0.177	0.074	0.069	1.576	1.197	2.520
1969	0.178	0.095	0.116	1.501	1.115	1.775
1970	0.188	0.143	0.074	2.021	0.801	2.064
1971	0.183	0.111	0.111	1.827	1.102	4.346
1972	0.196	0.113	0.110	1.684	0.959	4.529
1973	0.209	0.110	0.110	2.369	0.571	3.064
1974	0.227	0.115	0.100	2.761	1.605	3.586
1975	0.341	0.068	0.108	2.333	1.689	4.086
1976	0.332	0.131	0.121	4.580	2.222	3.638
1977	0.338	0.110	0.117	9.472	2.510	4.058
1978	0.369	0.509	0.484	7.244	2.243	4.111
1979	0.399	0.532	0.471	5.900	2.643	5.392
1980	0.510	N.A.	N.A.	7.192	3.058	5.979

*f.o.b. price per kilogram at point of shipment. (total annual export value/kilograms shipped).
 Source: Banco Central de Honduras

APPENDIX TABLE 5
STANDARD DEVIATION, MEAN, AND COEFFICIENT OF
CORRELATION FOR CORN PRICES*

1966 - 1980

<u>YEAR</u>	<u>S.D.</u>	<u>MEAN</u>	<u>C. of C.</u>
1966	0.644	5.74	0.112
1967	1.799	7.71	0.233
1968	1.126	7.30	0.154
1969	0.538	5.96	0.090
1970	2.566	7.78	0.330
1971	0.736	6.08	0.121
1972	0.705	6.61	0.107
1973	1.364	8.27	0.165
1974	0.955	9.64	0.099
1975	5.462	16.01	0.341
1976	0.827	10.71	0.077
1977	2.906	17.88	0.163
1978	2.110	17.16	0.123
1979	1.795	15.82	0.113
1980	2.997	22.47	0.133

* Wholesale price in Tegucigalpa
 (Lempiras per 100 lbs.)

Source: Departamento de Economía y Estadística Agrícola,
 Secretaría de Recursos Naturales

APPENDIX TABLE 6
STANDARD DEVIATION, MEAN, AND COEFFICIENT
OF CORRELATION FOR BEAN PRICES*

1966 - 1980

<u>YEAR</u>	<u>S.D.</u>	<u>MEAN</u>	<u>C. of C.</u>
1966	4.026	14.29	0.282
1967	4.307	16.47	0.261
1968	2.187	16.59	0.132
1969	1.501	16.18	0.093
1970	8.333	21.21	0.393
1971	1.798	13.57	0.133
1972	3.558	16.74	0.213
1973	5.093	28.43	0.179
1974	4.105	26.83	0.153
1975	3.847	28.18	0.137
1976	2.147	28.86	0.074
1977	7.337	36.61	0.200
1978	8.954	38.95	0.230
1979	9.134	37.34	0.249
1980	16.983	74.48	0.228

*Wholesale price in Tegucigalpa
 (Lempiras per 100 lbs.)

Source: Departamento de Economía y Estadística Agrícola,
 Secretaría de Recursos Naturales

APPENDIX TABLE 7
STANDARD DEVIATION, MEAN, AND COEFFICIENT OF
CORRELATION FOR RICE PRICES *
1966 - 1980

<u>YEAR</u>	<u>S.D.</u>	<u>MEAN</u>	<u>C. of C.</u>
1966	2.036	22.97	0.089
1967	2.619	23.27	0.113
1968	0.987	22.57	0.044
1969	0.849	21.90	0.039
1970	2.469	23.36	0.106
1971	7.835	28.42	0.276
1972	3.807	29.31	0.130
1973	1.188	24.78	0.042
1974	5.456	35.58	0.153
1975	2.055	43.45	0.047
1976	1.594	41.84	0.038
1977	2.547	43.86	0.058
1978	4.902	52.04	0.094
1979	1.389	55.00	0.025
1980	4.093	63.24	0.065

*Wholesale price (Lempiras per 100 lbs.) in Tegucigalpa

Source: Departamento de Economía y Estadística Agrícola,
 Secretaría de Recursos Naturales

APPENDIX TABLE 8
STANDARD DEVIATION, MEAN, AND COEFFICIENT OF
CORRELATION FOR SORGHUM PRICES*
1966 - 1980

<u>YEAR</u>	<u>S.D.</u>	<u>MEAN</u>	<u>C. of C.</u>
1966	0.402	5.36	0.075
1967	2.146	6.76	0.317
1968	0.785	7.90	0.099
1969	0.664	5.21	0.127
1970	2.386	7.59	0.314
1971	0.857	6.48	0.132
1972	1.838	6.84	0.269
1973	0.723	11.63	0.062
1974	0.640	9.60	0.067
1975	7.046	18.36	0.384
1976	1.984	11.90	0.167
1977	4.601	21.63	0.213
1978	1.452	16.87	0.086
1979	1.561	15.09	0.103
1980	1.637	20.31	0.081

* Wholesale price (Lempiras per 100 lbs.) in Tegucigalpa

Source: Departamento de Economía y Estadística Agrícola,
 Secretaría de Recursos Naturales

APPENDIX TABLE 9
VALUE ADDED, SELECTED CROPS,
1970 - 1980

PRODUCT	YEAR										
	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<u>Bananas</u>	119	118	137	142	106	90	137	173	179	241	338
<u>Coffee</u>	52	53	52	71	83	76	111	195	252	224	264
<u>Cotton</u>	1	1	1	3	4	5	4	10	14	10	12
<u>Corn</u>	41	43	43	45	47	53	60	62	78	87	79
<u>Beans</u>	16	18	17	15	19	18	17	18	19	22	24
<u>Rice</u>	4	8	9	9	9	11	11	10	14	16	19
<u>Sorghum</u>	6	6	7	7	8	8	9	9	10	10	11

* in millions of current Lempiras

Source: Banco Central de Honduras

APPENDIX TABLE 10
GROSS VALUE OF PRODUCTION,* SELECTED CROPS,
1970 - 1980

PRODUCT	YEAR										
	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<u>Bananas</u>	168	187	204	205	173	171	271	323	349	473	662
<u>Coffee</u>	56	58	56	87	100	92	135	208	291	267	311
<u>Cotton</u>	3	2	3	6	10	11	8	22	30	22	27
<u>Corn</u>	46	48	48	50	55	62	71	73	92	103	93
<u>Beans</u>	18	20	19	16	21	20	18	20	22	26	28
<u>Rice</u>	4	9	9	10	10	12	13	11	16	19	22
<u>Sorghum</u>	7	7	7	7	9	8	10	10	11	12	13

* In millions of current Lempiras

Source: Banco Central de Honduras

APPENDIX TABLE 11
CURRENT LEMPIRA PRICES* FOR FERTILIZERS,
1972 - 1980

<u>YEAR</u>	<u>PRODUCT</u>		
	<u>12-24-12 ¹</u>	<u>12-12-17-2 ²</u>	<u>Urea 46%</u>
1972	13.05	13.20	12.05
1973	15.21	14.59	14.35
1974	26.83	27.28	30.00
1975	29.67	29.00	30.25
1976	25.17	25.50	24.17
1977	20.33	18.20	18.33
1978	24.42	27.75	-
1979	24.48 ³	26.90 ⁴	22.15 ³
1980	30.68 ³	24.55 ⁴	29.96 ³

* per 100 pounds

1/ Numbers refer to percentages of nitrogen, phosphorus, and potassium, respectively

2/ Numbers refer to percentages of nitrogen, phosphorus, potassium, and manganese, respectively

3/ Prices in Centro Oriental Region

4/ Prices in Norte and Litoral Atlántico Regions

Source: Departamento de Economía y Estadística Agrícola,
 Secretaría de Recursos Naturales

APPENDIX TABLE 12
CURRENT LEMPIRA PRICES* FOR INSECTICIDES,
1972 - 1980

<u>YEAR</u>	<u>PRODUCT</u>		
	<u>Aldrin al 2.5% P.M.</u>	<u>Malathion al 2.5%</u>	<u>Clordano al 20%</u>
1972	30.00	120.00	95.00
1973	35.00	123.00	160.00
1974	50.00	133.33	115.00
1975	50.00	152.50	120.00
1976	55.00	150.00	120.00
1977	50.00	150.00	135.00
1978	54.75	175.00	130.00
1979 ¹	60.00	187.50	145.00

* per 100 pounds

1/ Prices in Centro Oriental Region

Source: Departamento de Economía y Estadística Agrícola,
 Secretaría de Recursos Naturales

APPENDIX TABLE 13
CURRENT LEMPIRA PRICES FOR FUNGICIDES AND HERBICIDES,
1972 - 1980

<u>YEAR</u>	<u>PRODUCT</u>	
	<u>2-4-D (a 46 - 480) ¹</u>	<u>Beulate ²</u>
1972	8.50	10.93
1973	8.50	11.00
1974	12.50	22.00
1975	22.00	38.00
1976	19.75	38.00
1977	13.64	25.00
1978	17.00	26.25
1979	17.46 ³	27.50 ³
1980	-	25.75 ³

1/ Price per gallon

2/ Price per pound

3/ rices in Centro Oriental Region

Source: Departamento de Economía y Estadística Agrícola,
 Secretaría de Recursos Naturales

APPENDIX TABLE 14
CURRENT LEMPIRA PRICES* FOR FUELS,
1972 - 1981

YEAR	PRODUCT			
	Regular Gasoline		Diesel	
	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>
1972	0.96	0.96		
1973	0.96	0.96		
1974	1.68	1.82	0.96	1.10
1975	1.80	1.94	0.99	1.13
1976	1.80	1.94	0.99	1.13
1977	2.03	2.17	0.99	1.13
1978	1.98	2.12	1.04	1.18
1979	2.18 - 3.18	2.32 - 3.32	1.20 - 1.72	1.34 - 1.86
1980	3.48 - 3.49	3.62 - 3.66	2.02 - 2.19	2.16 - 2.36
1981	3.82	3.99	2.32	2.49

* per gallon

1/ Pre-1974 gasoline price was uncontrolled, uniform national price. Minimum post-1973 prices for gasoline and diesel occur in vicinity of Puerto Cortés refinery. Highest controlled prices are allowed in those parts of the country located farthest from the refinery.

Source: Dirección General de Comercio Interior, Secretaría de Economía

APPENDIX TABLE 15
CURRENT LEMPIRA PRICES* FOR TRACTORS,
1972 - 1980

<u>YEAR</u>	<u>PRODUCT</u>	
	<u>Massey Ferguson - 265 (63 HP)</u>	<u>Massey Ferguson - 1085 (92 HP)</u>
1972	12,650	19,135/Unit
1973	13,000	21,500
1974	19,000	28,000
1975	21,400	31,400
1976	20,300	29,800
1977	21,000	33,000
1978	21,850	35,140
1979	20,757	33,431

Source: Departamento de Economía y Estadística Agrícola,
 Secretaría de Recursos Naturales

APPENDIX TABLE 16
CURRENT LEMPIRA PRICES FOR MACHETES AND WHETSTONES,
1972 - 1978

<u>YEAR</u>	<u>COLLINS MACHETE</u>	<u>WHETSTONE</u>
	<u>Nominal Price</u>	<u>Nominal Price</u>
1972	L. 3.50	L. 0.50/each
1973	3.50	0.75
1974	3.50	0.85
1975	5.00	-
1976	5.00	-
1977	5.00	0.90
1978	5.00	0.90

Source: Departamento de Economía y Estadística Agrícola,
 Secretaría de Recursos Naturales

APPENDIX TABLE 17

HONDURAN MARKETING INSTITUTE
IHMA

SUPPORT PRICES FOR THE PURCHASE OF BASIC GRAINS AT RURAL STORAGE DEPOTS
1965-66 THROUGH 1980-81 HARVESTS

YEAR	CORN	BEANS		LOW GRADE RICE			SORGHUM
		RED	BLACK	65% AND UP	60 TO 64.9%	50 TO 59.9%	
1965-66	5.20	9.50	9.50	8.00	8.00	8.00	-.-
1966-67	5.50	9.50	9.50	9.00	9.00	9.00	-.-
1967-68	5.50	12.00	12.00	9.00	9.00	9.00	-.-
1968-69	5.50	12.00	12.00	8.00	8.00	8.00	-.-
1969-70	5.00	11.00	11.00	6.00	6.00	6.00	-.-
1970-71	5.00	13.00	13.00	6.00	6.00	6.00	-.-
1971-72	5.50	13.00	13.00	9.00	8.00	8.00	-.-
1972-73	5.50	13.50	12.50	10.00	9.00	8.00	-.-
1973-74	5.75	14.00	13.00	11.00	10.00	9.00	-.-
1974-75	8.00	20.00	18.00	14.50	14.50	14.50	11.00
1975-76	14.00	20.00	20.00	17.00	17.00	17.00	7.00
1976-77	10.00	24.00	24.00	16.00	14.00	12.00	8.00
1977-78	11.25	24.00	24.00	19.00	17.00	15.00	9.25
1978-79	12.50	28.00	28.00	21.00	19.00	9.00	10.50
1979-80	13.75	38.00	30.00	-.-	23.00	-.-	12.00
MINIMUM PRICES							
1980-81	14.00	39.00	39.00	-.-	23.00	-.-	12.75
1981-82	16.00	53.75	43.75	-.-	25.35	-.-	14.75
1983-84							
1984-85							

APPENDIX TABLE 18

IHMA: PURCHASES AND SALES OF BASIC GRAINS BY MONTH
1978/79-APRIL 1980/81
QUINTALES

MONTH	1978/79		1979/80		1980/81	
	PURCHASES	SALES	PURCHASES	SALES	PURCHASES	SALES
<u>CORN</u>						
Septiembre	-.-	13,897	1,781	9,710	178.62	82,284
Octubre	7,512	8,401	11,083	1,699	43,326.85	25,228
Noviembre	77,095	2,955	29,099	4,629	186,182.64	16,697
Diciembre	57,590	1,917	4,076	802	139,977.11	13,464
Enero	50,970	2,067	10	6,691	28,246.47	8,404
Febrero	28,472	2,204	-.-	39,744	1,992.46	2,802
Marzo	17,718	1,327	-.-	29,374	1,197.17	1,916
Abril	2,341	751	-.-	37,638	90.04	5,067
Mayo	-.-	805	-.-	52,745	66.86	5,300
Junio	-.-	3,179	-.-	58,950	9.61	3,297
Julio	-.-	4,939	-.-	87,081	-.-	-.-
Agosto	-.-	10,651	-.-	105,360	-.-	-.-
T O T A L	241,698.	53,103.	46,049.	434,423*	405,200.97	155,862.

<u>BEANS</u>						
Septiembre	-.-	1,804	184	1,635	-.-	448
Octubre	187	570	-.-	3,004	-.-	579
Noviembre	3,334	13	1,222	4,086	-.-	403
Diciembre	7,117	20	-.-	557	-.-	108
Enero	4,165	70	2,262	627	25,568.12	497
Febrero	1,994	13	18,382	1,503	32,596.41	45
Marzo	1,915	4	-.-	2,151	9,910.61	70
Abril	934	2,021	-.-	2,584	-.-	75
Mayo	26	561	-.-	7,106	-.-	125
Junio	-.-	48,734	-.-	9,485	-.-	940
Julio	299	450	-.-	12,245	-.-	-.-
Agosto	-.-	671	-.-	1,485	-.-	-.-
T O T A L	19,971	54,931.	22,050.	46,448	68,075.14.	2,225.

* Including only sales for human consumption. In 1979/80 IHMA total sales were 781,906 quintales, of which the industry absorbed 347,483.62.

HIGH GRADE RICE

Septiembre	-.-	3,412	-.-	1,145	-.-	3,493
Octubre	-.-	2,840	-.-	214	-.-	3,577
Noviembre	-.-	1,857	-.-	401	-.-	3,118
Diciembre	-.-	1,514	-.-	584	-.-	4,938
Enero	-.-	730	-.-	2,714	-.-	4,931
Febrero	-.-	626	-.-	1,395	-.-	6,240
Marzo	-.-	4,489	-.-	1,644	-.-	6,746
Abril	-.-	4,072	-.-	2,826	-.-	6,382
Mayo	-.-	5,176	-.-	3,270	-.-	4,692
Junio	-.-	6,023	-.-	4,755	-.-	1,564
Julio	-.-	5,760	-.-	8,227	-.-	-.-
Agosto	-.-	3,610	-.-	5,335	-.-	-.-
T O T A L	-.-	40,109	-.-	32,510.	-.-	39,425

APPENDIX TABLE 18
(cont.)

IHMA: PURCHASES AND SALES OF BASIC GRAINS BY MONTH
1978/79-APRIL-1980/81
QUINTALES

MONTH	1978/79		1979/80		1980/81	
	PURCHASES	SALES	PURCHASES	SALES	PURCHASES	SALES
<u>LOW GRADE RICE</u>						
Septiembre	--	--	2,032	--	612.45	3,000
Octubre	--	--	7,111	--	2,385.42	--
Noviembre	--	--	26,619	--	14,957.06	--
Diciembre	46	--	15,178	--	27,680.25	--
Enero	--	--	7,012	--	2,098.85	--
Febrero	--	--	1,257	--	115.97	--
Marzo	--	--	--	--	13.50	--
Abril	--	--	--	--	5,797.27	4,865.28
Mayo	--	--	--	1,472	12.00	14,943.00
Junio	--	--	--	9,963	--	--
Julio	--	--	--	7,826	--	--
Agosto	--	--	--	5,000	--	--
TOTAL	46.	--	59,209.	24,261.	53,660.77.	7,365.28.

<u>SORGHUM</u>						
Septiembre	--	1	--	16.637	--	64
Octubre	--	--	--	--	--	8
Noviembre	--	--	--	--	137.80	6
Diciembre	26	--	--	--	275.80	16
Enero	1,643	--	548	--	1,417.91	--
Febrero	5,771	--	--	--	2,024.10	--
Marzo	8,233	--	386	2	630.05	1,103
Abril	2,528	--	--	2	685.89	1,913
Mayo	--	--	--	19	--	17
Junio	--	34	--	6	23.69	14
Julio	--	26	--	143	--	--
Agosto	--	1,158	--	537	--	--
TOTAL	18,201.	1,219.	934.	17,346.	5,194.94	3,110

SOURCE: IHMA

IAM
2/junio/81
EDV/MFF/clm*

APPENDIX TABLE 19

WHITE CORN PRICES* IN HONDURAS AND NEIGHBORING COUNTRIES DURING
SELECTED WEEKS OF 1981

<u>Week</u>	<u>Honduran Price</u>	<u>Guatemalan Price</u>	<u>Salvadorean Price</u>	<u>Nicaraguan Price</u>	<u>Costa Rican Price</u>
February 2 - 7	8.95	9.40	8.70	10.40	9.50
" 9 - 14	8.98	9.60	8.70	9.20	8.80
" 16- 21	9.58	9.90	8.60	9.90	8.30
March 16- 21	9.42	10.93	8.90	10.70	8.00
" 23- 28	9.27	11.20	9.10	11.50	8.00
March 30 - April 4	9.24	11.45	9.50	N/A	8.80
April 13- 18	9.33	11.67	N/A	N/A	8.00
" 20- 25	9.66	12.18	10.50	N/A	8.00
" 27-May 2	9.94	12.13	10.30	N/A	5.90
May 4 - 9	10.02	11.45	10.10	N/A	6.50
" 11 - 16	10.05	11.20	10.00	11.90	6.60
" 18 - 23	10.04	11.00	10.00	12.40	7.10
June 1 - 6	10.00	11.26	10.60	12.30	7.10
July 1 - 4	9.97	10.90	10.40	12.60	9.80

* \$ CA per 100 lbs.

Source: SIECA

APPENDIX TABLE 20

RED BEAN PRICES* IN HONDURAS AND NEIGHBORING COUNTRIES DURING
SELECTED WEEKS OF 1981

Week		Honduran Price	Guatemalan Price	Salvadorean Price	Nicaraguan Price
February	2 - 7	\$ CA 32.27/100 lbs.	\$ CA 40.00/100 lbs.	\$ CA 38.30/100 lbs.	\$ CA 40.20/100 lbs.
"	9 - 14	34.80	40.00	38.00	39.90
"	16 - 21	35.28	40.00	38.00	43.60
March	16 - 21	33.57	40.00	39.70	37.20
"	23 - 28	33.92	40.00	40.00	41.00
March 30 - April	4	33.35	40.00	40.00	N/A
April	13 - 18	33.75	40.00	N/A	N/A
"	20 - 25	33.64	40.00	42.00	N/A
April 27 - May	2	33.52	40.00	43.00	N/A
May	4 - 9	33.75	40.00	45.00	N/A
"	11 - 16	33.42	40.00	45.20	42.80
"	18 - 23	33.38	40.00	44.70	43.40
June	1 - 6	33.48	35.00	44.70	43.60
July	1 - 4	32.92	38.00	47.30	46.20

* \$ CA per 100 lbs.

Source: SIECA

APPENDIX TABLE 21
SUPPORT PRICES* IN HONDURAS AND NEIGHBORING COUNTRIES,
1981

<u>CROP</u>	<u>COUNTRY</u>				
	Honduras	Guatemala	El Salvador	Nicaragua	Costa Rica
Corn	15.25	15.70	18.40	15.96	22.78
Beans	40.25	37.60	55.20	50.16	66.28

* Guaranteed price (Lempiras per 100 lbs.) in respective capitals

Source: SIECA

X

STUDY OF RURAL CREDIT
THE CREDIT UNION MOVEMENT IN HONDURAS

By
Jeffrey Poyo

STUDY OF RURAL CREDIT
THE CREDIT UNION MOVEMENT IN HONDURAS

INTRODUCTION

This report summarizes a month's stay in Honduras during which time I was able to visit 18 credit unions (Cooperativas de Ahorro y Crédito). The fact that each one of these credit unions is an autonomous institution, founded by individuals in the different regions of the country, explains the colorful diversity I encountered. The spectrum of these cooperative associations extends from some that are managed more professionally than most commercial banks, to those whose milieu is more akin to a feudal estate than to a financial institution.

Regardless of their diverse nature, the one underlying characteristic which they all possess is their strategic location with respect to the socio-economic development of the Honduran countryside. They represent an indigenous financial institution that interacts with the small farmers, artisans and shopkeepers in a way that no other state or private institution could. The job the credit unions perform in providing credit, savings opportunities, and "social security" would be impossible to replace. A rough estimate of the total loan portfolio (December 31, 1980) for the 64 credit unions classified as rural was between 50 and 55 million lempiras, of which approximately 20 to 25 million were directed to agricultural and cattle raising activities.¹ These institutions are providing these badly needed services to a group of people whose income level is far too low to be served by the banking sector--commercial or state run. The transactions and information costs involved

¹ For a more detailed classification of the credit unions affiliated to FACACH, see: Jorge Nery Chinchilla F., "Informe basado en visitas a un selecto número de Cooperativas de Ahorro y Credito afiliadas a FACACH", US-AID/ Honduras, March 1981. These rough estimates would most probably be an upper bound. (US \$1=2 Lempiras, August 1981)

TABLE 1

LOAN PORTFOLIO
December 31, 1980

<u>Credit Union^a</u>	<u>Total Loans</u>	<u>% Members Agriculture</u>	<u>Loans to Agriculture</u>
Corquín ^b	1,015,905	80	812,724
Sanmarqueña	1,773,040	12	212,766
Chorotega	798,758	10	79,876
San Andrés	717,905	80	574,324
Campamento	216,501	30	64,950
La Hermandad	401,959	70	281,371
Pinalajejo	<u>943,178</u>	35	<u>330,112</u>
TOTAL	5,867,256		2,356,123

Estimate total loans of 64 rural credit unions:

52,805,304 Lempiras

Estimate total loan to agriculture:

21,205,107 Lempiras

^aOf the 16 credit unions included in the sample, this detailed information was readily available from only seven.

^bJanuary 31, 1981.

in lending to them prove to be prohibitive for other financial institutions; this is the key to understanding the importance of these credit unions. Later we will see how their structure and unique characteristics allow them to work with this group of people.

The diversity I encountered among these credit unions not only emanated from their administrative structure, but more importantly from the level to which they have realized their potential for growth. Most of the credit unions have stagnated due to their inability to deal effectively with the inflation Honduras is presently experiencing. Only one of the credit unions I visited was able to continue its growth right through the inflationary period due to their aggressive savings mobilization efforts and realistic interest rate policies.¹ Their strength is such that when a commercial bank investigated their growth and decided to open a branch office in the predominately cattle raising and coffee producing region, it was driven out of business by the credit union.

There are many variables which influenced the success of this credit union, but the important point is that they need not be unique to Corquín. There is an open field for the credit union movement to grow in, but unless some action is taken to deal with the inflationary pressures many of these rural institutions will die out, not because they are too small or work with a group of people who are too poor, but because of erroneous policies which perpetuate a state of money illusion. Perhaps the most important factor which spurs my optimism about the credit union movement in Honduras, is that every one of the institutions I visited was aware of the problem that highly

¹Cooperativa de Ahorro y Crédito Corquín, Ltda.

negative real rates of interest on deposits and loans was creating, and the four who were still charging only 12 percent annual interest on loans had been actively seeking to change the statutes or had already done so.¹

This report is divided into five sections, these are: Credit Unions Visited, Structure of Credit Unions, Some Problems Encountered, Savings Mobilization Potential, and Conclusion.

I would like to express my gratitude to all of those people in FACACH (Federación de Asociaciones Cooperativas de Ahorro y Crédito de Honduras) whose advice and help facilitated my task considerably, and to the individual cooperatives for their patience with my endless questions. I would like especially to thank all of those people who made this rewarding experience a possibility.

CREDIT UNIONS VISITED

The credit unions to be visited were selected from four departments of Honduras trying to include among the sample the most important rural institutions. The four departments we concentrated on were: Copán, and Santa Bárbara in the North, and Choluteca and Olancho in the South and West respectively. These four areas were selected in order to complement the field work Carlos Cuevas is carrying out in these four departments. A sample of members was taken of one credit union in each of the four departments to be included in his interviews.²

¹When most of the credit unions were started in the 1960s, the rate of interest charged on loans was specified in the statutes, and could not be changed except by a unanimous decision of the Directors. This seriously hampered the administration of the credit unions as might be expected.

²We selected ten members of the credit unions who had loans in 1981 and ten who had no loans from these institutions. By this process we hoped to attain information on institutional and non-institutional credit.

This study began with a visit to the Department of Comayagua where we visited two credit unions in the towns of La Paz and Comayagua. The purpose for these visits were to help us develop a uniform questionnaire to be used with the credit unions selected in the sample, and to find out what information we could reasonably expect to acquire on our future visits. In every one of the credit unions we were received with the most open and cooperative attitudes, and discussion of problems that afflicted these institutions were discussed in a very honest fashion.

The credit unions selected vary in size, the smallest being San Marcos del Valle with only 141 members and one employee; the largest being the credit union Sanmarqueña with 1446 members and five employees. Although the credit union Corquín has only 729 members, they have ten employees. I will turn next to a presentation of the administrative and economic structures of the various credit unions visited.

STRUCTURE OF THE CREDIT UNIONS

The credit union movement in Honduras is quite young with an average age of the sample being only thirteen years. As can be seen in Table 2, the oldest credit union is called Chorotega and it has been chartered for 17 years, while the youngest, which are generally concentrated in the North, are only 10 years old. Table 2 presents the general information about the cooperatives we visited and I will discuss each of the different areas separately.

The credit unions began with basically the same structure, charging the same rate of interest on loans, and offering the same basic services. As time went on and economic conditions began to change, the credit unions began to alter their structures in order to deal more effectively with the growing

TABLE 2

<u>Credit Union</u>	<u>Years</u>	<u>Employees^a</u>	<u>Members</u>	<u>Percent Active</u>	<u>Percent Farmers and Ranchers</u>	<u>Competition</u>	<u>Ratio of Loan to Capital Contribution</u>	<u>Percent Loans Overdue (Morosidad)</u>	<u>Percent Capitalization^c</u>
<u>Choluteca</u>									
Chorotega	17	3	570	53	10	Yes	2.5:1	13.5	10
Sanmarqueña	14	5	1446	80	12	Yes	<1,000 L 4:1 >1,000 L 2.8:1	17.0	No
Fraternidad Pespirensense	14	2	437	75	30	No	minimum 3:1 no maximum	7.5	5
San Andrés	16	3	991	63	80	No	1.5:1 12% 2:1 18%	28	No
<u>Olancho</u>									
Campamento	13	4	376	0 ^b	30	No	2:1	60	10
Catacamas	15	4	795	16	95	Yes	2:1	47	10
Juticalpa	15	2	240	8	10	Yes	2:1	60	10
San Francisco de la Paz	13	3	500	66	90	Yes	2:1	16	10
<u>Copán</u>									
San Nicolás	11	3	242	33	Majority	No	2:1 3:1	37	10
Dulce Nombre	12	2	200	50	40	No	2:1	33	10
Nueva Vida	16	4	504	66	5	Yes	2:1	17	10
Corquín	13	10	729	87	80	No	3:1	7	10
<u>Santa Bárbara</u>									
Pinalejo	10	9	1200	65	35	No	5:1 max. very small loans	40	10
San Marcos del Valle	10	1	141	57	80	No	3:1 all credit cancelled	46	10
La Hermandad	13	2	280	28	70	Yes	3:1	60	No
Macuelizo	10	3	323	84	70	No	<500 L 3:1 >500 L 2:1	33.5	10

Annual Interest Rates

<u>Credit Union</u>	<u>Loan Commission (Lempiras)</u>	<u>Store</u>	<u>Loans</u>	<u>Capital Contribution (Aportes)</u>	<u>Savings</u>	<u>Maximum Time Deposits</u>
<u>Choluteca</u>						
Chorotega	>10,000 L 2%	No	15	6	7	12
Sanmarqueña	No	No	12	6	7	9.5
Fraternidad Pespireense	No	No	12	5	7	10
San Andrés	No	No	12 18	6	5	8
<u>Olancho</u>						
Campamento	2%	Yes	15 18	6	7	10
Catacamas	3%		18	4	7	N.A.
Juticalpa	2%		15	2.5	6	7
San Francisco de la Paz	No		12 18	6	6	10
<u>Copán</u>						
San Nicolás	No	No	15	4	6	10
Dulce Nombre	No	Yes	12	4	5	10
Nueva Vida	1%	No	15	6	7	10
Corquín	No	Yes	18	9	8	12
<u>Santa Bárbara</u>						
Pinalejo	1%	No	12 18	3-4 Depends on profits	7	10
San Marcos del Valle	No	No	15 18	1-6 Depends on profits	7	N.A.
La Hermandad	No	No	12	5	7.5	N.A.
Macuelizo	No	No	15	4	6	N.A.

TABLE 2 (CON'T.)

^aOnly those who are earning a salary from the credit union are included such as: managers and secretaries. Directors and others involved in the credit union do not receive any payment for their work.

^bThe liquidity and economic problems of this credit union have reached the point that the members have ceased making regular capital contributions, but bring the money into the office when they are ready to request a loan.

^cCapitalization is a procedure whereby the credit unions deduct a fixed percentage from the amount of the loan and deposit it into the member's capital contributions, thus, giving the member less than the total amount of the loan approved.

inflationary pressures.

When analyzing the growth of the credit union movement, many references are made to the growth in the number of new members and upon the obligatory capital contributions captured, and very little attention is paid to the voluntary savings deposits and time deposits mobilized. The problem is that in some cases, due to distorted incentives, people are attracted to the credit unions because of the possibility of obtaining a loan at negative real rates of interest, far below the market rate. This does not represent a healthy growth for the credit union, but an uncontrolled demand for credit three and four times their capital contributions, which will invariably create severe problems. The credit union Sanmarqueña, in the department of Choluteca, is a case in point. Later we will see that although this credit union has been one of the most successful at mobilizing savings and time deposits, its problems of liquidity and loan recovery have intensified due to its inability to alter its credit structure, and to recognize that its fast growth in capital contributions and membership was partly an illusion created by the distorted incentives.

The requirements for joining the credit unions are to make an initial capital contribution (aportación) of ten lempiras and to arrange with the credit union to make a monthly capital contribution which varies according to the economic possibilities of each member. The minimum amount accepted is one lempira monthly--there is no maximum. The interest rate paid on these "savings" varies from one percent to nine percent annually depending on the credit union.¹ Partial withdrawals of this money are not permitted and consequently the only incentive for their capital contributions is the possibility of obtaining a loan. After becoming a member of the credit

¹Some credit unions pay a fixed interest rate, while others pay a rate that varies according to the "profitability" of the institution.

union one must wait three to six months, depending on the institution, in order to be eligible to request a loan. The amount of the loan one can claim is dependent upon the amount of capital one has in the credit union. The ratio of the loan to capital contribution varies from 1.5 to 1 to 4 to 1, depending on the size of the loan requested and the credit union in question.¹ The restriction of the ratio has been the main tool used to deal with the liquidity problem faced by the credit unions; later we will see the implications this has had for the effective interest rates charged on the loans granted.

The incentives created by the system of capital contributions has led to some problems for the credit unions when they are faced with the lack of liquidity. In a study done in Perú concentrating on the reasons people choose a financial institution, the most important reason specified by the members of credit unions was the possibility of obtaining a loan.² When the members of the credit unions see a very small possibility of obtaining a loan they stop their monthly contributions and seek to withdraw their money from the credit union. These members must submit a written request to withdraw from the credit union, and this process may take anywhere from a few minutes to nine months or more.³ The majority of the credit unions I visited would

¹Some credit unions restrict the ratio as the size or the loans gets larger in order to limit the concentration of loans among their members.

²"Las bases de una exitosa movilización de Ahorros," por Jeffrey Poyo.

³"...la voluntad de retirarse de un asociado es inviolable. La cooperativa sin embargo, en casos sumamente necesarios puede reservarse el derecho de cancelar el valor de los certificados de aportación dentro de un período de nueve meses, pudiendo llegar en el ejercicio de este derecho, hasta hacer la devolución por partes, tomando como base las cantidades y el tiempo que el asociado en referencia utilizó para acumular sus aportaciones." Artículo 27 del Reglamento de la ley de Asociaciones Cooperativas, page 10.

take fifteen days to a month to return the money. There were only four credit unions in the sample who recognized the problems this was creating for the credit union and sought to make the process as simple as possible, returning the money immediately. These problems will be discussed in more depth in the third section of this paper.

Savings Accounts and Time Deposits

Every one of the credit unions visited have savings accounts and twelve out of sixteen offer time deposits. The interest paid on these savings accounts range from 5 to 8 percent depending on the credit union in question, but in no case does a credit union pay more than a bank on this type of deposit. The range of interest paid on time deposits is quite wide, but the limits set by the commercial banks seems to be a threshold past which the credit unions dare not pass.¹

The problem with the fact that the credit unions are following the lead of the commercial banks is that the commercial banks are not particularly interested in mobilizing savings and time deposits because their reserve requirement is 30 percent on these funds. Therefore, we find a large wedge driven between the interest rate charged on loans by the commercial banks, 19 percent (stated rate), and that paid on savings (8 percent) and time deposits (maximum 12 percent - 2 years). The effective rate of interest on loans charged by the commercial banks is of course quite a bit higher given the commissions charged and other methods used to raise the effective rate.

¹In 1981, the Central Bank of Honduras has liberated all interest rates on time and savings deposits. There is no regulation either from the Central Bank or DIFOCOOP which controls the interest rates on deposits paid by the credit union movement.

There were only four credit unions I visited who accepted or stated that they would accept savings and time deposits from non-members; these were: Sanmarqueña, Chorotega, Corquín, and San Andrés.¹ The fact that some credit unions accept deposits from non-members has proven to be an instrumental variable in their rate of growth; this will be focused upon in the section on savings mobilization. The fact that some credit unions have had relative success in mobilizing their own resources, but have not been able to find a solution to the problem of liquidity, is a result of the excess demand for credit which is caused by the low stated rates of interest charged on loans. I will focus next on their credit structure.

Credit Structure

Historically, the credit unions have placed more emphasis upon the credit side of their operations than on the savings side, which has led to serious problems of liquidity and to the consequent dependence on external resources for their lending operations. In order to combat these problems the credit unions have typically restricted the credit services which they offer, which as we will see, has only led to the worsening of their problems rather than their amelioration.

Members of the credit unions must wait three to six months after they have joined the institution in order to be eligible to request a loan, and the size of the loan depends upon the amount of money they have in capital contributions. Some credit unions still allow the members to take out four times their capital contributions, but generally this has been reduced to

¹The manager of San Andrés told me that they did not have any deposits from non-members, but if the desire arose they would accept them.

only two or three times because of liquidity problems.¹ The guarantees demanded of the members have also become more stringent because of serious problems with the repayment of loans. Up until quite recently, one could take out a fairly large loan with only the guarantee of two other members, but now the credit unions are requesting "real guarantees", such as collateral (properties, appliances and the harvest).

The rate of interest charged on credit operations is the most philosophically sensitive issue for most credit unions, but of the sixteen institutions in the sample, only four had not revised this rate at all and were still charging 12 percent on all loans. Another three credit unions still charged 12 percent on the majority of their loans and charged 18 percent on loans with funds from the federation. Invariably the problems these credit unions are facing are getting worse every year and this fact is painfully obvious to the managers. There is no need to convene a general assembly of members of the respective credit unions in order to change the statutes, but there must be a unanimous decision by the 5 Directors in the Consejo de Administración. Although I do not feel that this stumbling block is a serious one, unfortunately it will take the further deterioration of a few of the credit unions' economic positions in order to overcome the skeptical opinion of some Directors. The cases of the credit unions Pinalejo and Sanmarqueña are particularly distressing because they have very able managers and are run on an extremely professional level. Both credit unions have very actively mobilized savings through interest rate incentives, and this fact has slowed the economic and social deterioration, but the trend continues.

¹ Some funds which come from the federation which are directed to certain agricultural activities are not subject to the capital contribution ratio, but are treated as any credit from a commercial bank would be. Very few of the credit unions I visited were working under this program (Programa de crédito dirigido a la Producción).

The stated rates of interest charged on loans range from 12 percent to 18 percent a year on outstanding balances. Some credit unions charge multiple rates depending on the type of loan, and on the source of the funds. Table 3 presents calculations of the effective rates of interest charged by the credit unions given various assumptions. The main assumption used is that it is a loan amortized all in one payment at the end of twelve months, which is most common for agricultural activities.

As was pointed out earlier in the paper, one of the most common tools used to deal with the problems of liquidity was to limit the ratio loan/capital contribution from 4 to 1 to 2 to 1 in recent years. On a loan with a stated rate of twelve percent, this restriction raises the effective rate of interest from 15.7 to 22.5, and on a loan at 18 percent, the effective rate jumps from 25 to 37.5 percent. This procedure of dealing with the liquidity problem not only seriously curtails the quality of service offered, but does not deal with the tremendous loan demand as most people do not know the effective interest they are paying, and thus continue to demand loans based on the stated nominal rate. Perhaps the problem of excessive loan demand could best be dealt with by charging a uniform stated rate of 18 percent plus some commission and thus avoid the severe restrictions on the loan ratio. It would be impossible, for both political and institutional reasons, for the credit unions to charge a stated rate of interest that surpassed what the commercial banks were charging (19 percent), although the credit unions do not have any legal controls on the interest they may charge. The whole

TABLE 3

EFFECTIVE RATES OF INTEREST^a

<u>Ratio</u>	<u>Stated Rate</u>		
	<u>12%</u>	<u>15%</u>	<u>18%</u>
2 x 1	22.5	30.0	37.5
3 x 1	17.6	22.9	28.3
4 x 1	15.7	20.4	25.0

^aThese rates are calculated assuming a 10 percent capitalization of the loan which is deposited in the capital contributions and earns 5 percent interest annually. The interest earned on the capital contribution is deducted from interest paid on loan to calculate the effective rate of interest. (No commissions are included).

issue of interest rates charged on loans is more of a political and philosophical question than an economic one, and this important point must be kept in mind if one is to deal effectively with these institutions. The need to stem the speculative demand for credit in the cooperative sector is a must if these institutions are to continue to develop and effectively serve their members, but it is clear that the tools that have been used by most of the credit unions have not worked, and have led to greater problems in the long run.

Other Services

In addition to the savings and credit services, the credit unions offer life insurance coverage free of charge to their members. The maximum coverage is 200 percent of the amount the member has in his savings account. The individual credit unions pay a monthly premium to the federation (FACACH) who in turn pays the relatives of the deceased member. Also, for a nominal fee a borrower can take out life insurance to cover the amount of a loan in the event he were to die.

Three of the credit unions I visited operated a store along with the regular services offered.¹ Two of the stores were strictly for agricultural inputs, while a third was an almacén where they sold everything from clothing to foodstuffs. I was told that in all three cases these stores were highly profitable and helped bring in extra income to the credit union. In fact, in one of the cases the store was opened in order to stem the downward trend that institution was experiencing due to extreme loan recovery problems.

¹The three credit unions are: Corquín, Campamento, Dulce Nombre.

Regulating Institutions

The credit union movement in Honduras is almost totally unregulated, due mostly to the fact that the institution (DIFOCOOP) in charge of this function has not actively worked with the credit unions in many years. The interest rate and reserve requirement regulations set out by the Central Bank do not apply to the cooperative sector, and DIFOCOOP (Dirección de Fomento Cooperativo) has not established any comprehensive regulations for the credit unions. Since the interest rates paid on deposits by the commercial banks have been liberated by the Central Bank, this would effectively nullify any regulations DIFOCOOP were to impose. The only limitation on the interest rates paid by the credit unions on capital contributions and on savings deposits established in the Reglamento de la Ley de Asociaciones Cooperativas is that they cannot be greater than what the commercial banks charge on credit operations (19 percent).¹ The only time the credit unions must clear an interest rate change with DIFOCOOP is when it involves a revision of its statutes, and this has been the case only with the interest rates charged on loans, since interest rates paid on deposits are not specified in the statutes.

In addition to regulating the cooperative sector, DIFOCOOP had been temporarily charged with the responsibility of auditing, training and general technical assistance free of charge, until such time as the cooperatives

¹Artículo 44: El interés máximo que una asociación cooperativa podrá pagar sobre el valor de los certificados de aportación, y sobre los depósitos cuando se trate de una cooperativa de crédito, será el que establezca el Banco Central de Honduras para los depósitos de ahorro, en las instituciones bancarias del país, más un porcentaje que aprobara la Dirección de Fomento Cooperativo de acuerdo con la naturaleza de la cooperativa de que se trate; nunca dicho interés podrá ser mayor del que cobre el sistema Bancario Nacional por operaciones crediticias. Page 13.

(including the credit unions) become self-sufficient.¹ Once the cooperatives have become self-sufficient, which is determined by DIFOCOOP, this institution can begin charging the individual credit unions for these services.

The federation (FACACH) has taken over many of these functions, but only with those credit unions which have important outstanding loans from them. This outcome is not surprising since the federation is interested in its loan recovery, but it leaves the credit unions who are not presently receiving funds from FACACH without any administrative or financial support. Many of these credit unions that do not receive support will continue to deteriorate and fail, not because the group of people they serve is too poor or because the area they operate in cannot support a credit union, but because of inadequate financial and economic policies which could easily be turned around if given adequate technical assistance.

THE PROBLEMS ENCOUNTERED

The problems facing the credit union movement in Honduras as in other Latin American countries are widely recognized, but what is not usually understood is their interrelatedness. The roots of the extreme problems of liquidity, loan recovery, lack of confidence, and administrative mismanagement are embedded in their institutional structures and their inability to deal with an acceleration in the rate of inflation above the historical rate. During my visits a pattern began to emerge from the cross-section of credit unions interviewed. It became evident that those institutions who

¹Reglamento de la ley de Asociaciones Cooperativa, Artículo 111, page 26.

were most flexible in dealing with the changing economic milieu were the ones that continued their growth, while the others began to falter. An accelerating rate of inflation in the face of unchanging financial policies begins to distort the incentives or signals the credit union projects and consequently creates an imbalance in their operations because they create a bias in favor of becoming indebted and discourage saving.

As the rate of inflation began growing in the latter part of the 1970s culminating with a more than doubling of the rate between 1979-1980 from 8.8 to 18.8 percent (Consumer Price Index), the rates of interest paid on deposits and charged for loans became increasingly negative in real terms.¹ The Central Bank subsequently raised the limit charged by the commercial banks on credit operations, while most of the credit unions maintained the same 12 percent that was established in their statutes.

The credit unions began to experience a tremendous influx of new members and capital contributions which greatly increased their liquidity as these new members could not request a loan for from three to six months, but as their new members began requesting loans, the credit unions were faced with severe problems of liquidity.

The structure and size of the credit unions are such that in the past they have relied very heavily on moral and social pressures for the repayment of loans by their members. The borrowers are required to attend "charlas" on cooperativism and other social functions before they are eligible to request a loan, and in the past have been granted large sums of money with only the signatures of two other members. This fact made the credit unions even more

¹The CPI generally understates the real inflation rate since many of the goods included in the index are subject to price controls, a more realistic figure for 1980 would be about 24 percent.

attractive to former clients of commercial banks and to the public in general, since not only were the stated rates of interest low, but the transactions costs were negligible by comparison.¹

The liquidity problems became more intense and the credit unions were faced with the dilemma raising the rates of interest on credit operations in order to stem the excessive demand for loans, and allow them to borrow from the federation for on-lending to their members, or actively mobilize their own resources through interest rate incentives on deposits.² Generally, it was the credit unions who did not or could not raise their interest rates on loans, and thus could not borrow from FACACH, who most actively mobilized their own resources. Two very clear examples of this were the credit unions Sanmarqueña in San Marcos de Colón, and the credit union Pinalejo in the town of that same name.

The credit union in San Marcos de Colón distanced itself from the federation because of disagreements over an agricultural inputs store they wanted to open, and because as FACACH raised its interest rates, it was no longer feasible for the federation to lend funds to them. The growth rates in 1977-1978 of capital contributions and new members for this credit union were 15.7 and 11.2 percent respectively. Then in 1978-1979 these growth rates shot up to 33.5 and 18.3 percent stimulated by the interest rate differential on loans between the credit unions and other financial institutions; Table 4 shows these growth rates along with the different deposits mobilized. Towards the end of 1978 this institution raised its interest rates on savings and time deposits in order to try to solve the liquidity

¹ It is interesting to note that of those credit unions that had data on the number of loans requested and those approved during any given period, it seemed to be the case that as long as one had all the papers in order and had not failed to repay a previous loan, approval was almost automatic.

² At this point the federation was charging 14 percent for their loans to the credit unions which forced them to alter their interest rates in order to be able to borrow money.

TABLE 4

COOPERATIVA DE AHORRO Y CREDITO SANMARQUENA, LTDA.

December, 1977 - December, 1980

<u>Year</u>	<u>Time Deposits</u>	<u>Percent Change</u>	<u>Savings</u>	<u>Percent Change</u>	<u>Minors Savings</u>	<u>Percent Change</u>	<u>Capital Contribution</u>	<u>Percent Change</u>	<u>Members</u>	<u>Percent Change</u>
1977	167,634		64,814		0		543,288		1077	
1978	300,640	79.4	69,718	7.5	13,928		628,840	15.7	1173	11.2
1979	419,700	39.6	137,240	96.8	22,168	59.2	839,792	33.5	1237	18.3
1980	489,250	16.6	126,719	-7.6	28,523	28.6	1,110,600	32.3	1320	14.9

Source: Memorias of the credit union Sanmarqueña, various years.

problem it was starting to experience.¹ A personal effort by the manager along with the fact that the credit union was now paying $\frac{1}{2}$ a percentage point more than the commercial banks led to a tremendous increase in time deposits mobilized in 1978.² During 1979 time deposits grew by 40 percent, savings by 97 percent and savings by minors grew by 59 percent (all in nominal terms).³

This credit union has been unable to raise its interest rates on loans due to philosophical differences among its directors. This has been one of the major tasks the manager has been working on, and has expressed great hope that as the recent deterioration of the credit union continues the directors will acknowledge the problem and resolve to change the rate of interest on loans.

In order to deal with the problems the credit union has had to cancel all granting of loans two months out of the year, restrict the ratio of amounts granted above one thousand lempiras, and limit the time period of the loans. Clearly, the lack of flexibility has seriously affected the service offered and has thwarted the savings mobilization efforts carried

¹"...es importante señalar que las demandas de créditos de los asociados es cada vez mayor, motivo por el cual la liquidez de la cooperativa en algunos meses se ve seriamente reducida; para contrarrestar esta situación el Consejo de Administración aplicó la tabla de incentivos para los ahorros a plazo fijo, elevó el interés del 4 al 5 por ciento sobre los ahorros retirables y ordenó restricciones a las normas prestatarias; estrategia ésta que obtuvo el mayor de los éxitos." Informe del Consejo de Administración, Memoria de 1978 Cooperativa de Ahorro y Crédito Sanmarqueña, Ltda.

²The commercial banks are presently paying an average of 8 percent on savings accounts and a maximum of 12 percent on time deposits. In 1978 though, Sanmarqueña was paying 10 and the banks 9.5 percent as a maximum on time deposits.

³The savings accounts by minors pay somewhat less than ordinary savings accounts, and ostensibly they were created to stimulate the saving behavior of the children of the members of the credit union. Almost all credit unions offer this service.

out between 1977 and 1979. The lack of liquidity and consequent restrictions imposed on the credit operations are undermining the confidence and future viability of this institution.

The credit union Pinalejo has had the same sort of history except that they have not had as much success in mobilizing savings and time deposits, and therefore, their problems are more pronounced. Pinalejo used a somewhat different strategy due to the absence of other financial institutions in the area. They have opened up two branch offices in other towns and are working with four "savings clubs". They have also very actively sought out donations from international institutions, but their liquidity has not improved.

The manager of Pinalejo has also actively promoted savings through his own personal efforts. He found out that one farmer had close to 10 thousand lempiras in his house and through much coaxing, convinced the man to deposit two or three thousand in a time deposit. When this account came to term he sent the man a check for the interest earned and the next day the man came to the credit union and deposited the rest of his money. The manager has also fought to change the rate of interest charged on loans and has told me that he expects it to be changed sometime this year or next.

Almost all the credit unions I visited were having problems of liquidity and those who had done the least to promote savings were the ones that were worst off. They have all instituted restrictions on the credit operations to the extreme case of the credit union San Marcos del Valle where all credits have been cancelled.

As the members of the credit unions feel the lack of liquidity reducing their chances of obtaining a loan, they cease their monthly capital contri-

butions and thus become "inactive" members. In order to get their money "saved" in this form out of the credit union, they must submit a petition and wait fifteen days to a month or more in order to be reimbursed. This not only involves long waits, but there are also heavy social pressures not to leave the institution. Therefore, incentives are created to take out an automatic loan which is granted on the spot for between 95 and 100 percent of their capital contributions. There are great problems with the recovery of these loans as one would expect and the ill feelings created by the whole procedure seriously affects the confidence people have in the credit union movement. This problem is the most serious because once the credit union has a reputation of not returning the savings of its members, its viability as a financial institution is undermined. Unfortunately, only four credit unions I visited realized the problems this messy process was creating and returned the capital contributions immediately.

The problems facing the credit unions are not only a result of a lack of savings promotion and interest rate incentives, some also have very important administrative problems. The single most important administrative problem facing the credit unions is the ability to attract and retain good managers, because the pay scales have not kept up with inflation and the opportunity cost of managing a credit union have become too high.¹ I did find some blatant abuses of power and unqualified administrators, but this problem will hopefully be corrected by the ongoing project that AID has with the federation. It is obvious that a very strong credit union can fail if those

¹The manager of one credit union, who hadn't received a pay increase promised him after his recognized good performance in administrating the institution, was not awarded the increase because a Director of the institution could not conceive of the idea that the manager's income would be higher than his own.

people running it are either unqualified or corrupt, and the fact is that the correct incentives cannot bring in members and deposits if there is no confidence in the credit union. A few of the credit unions I have visited have such bad reputations in the towns they serve, because of bad administration, that it would need some very important assistance in order to restore that confidence. The problem is that it is not in the federation's self interest to assist credit unions they are not presently working with that have serious administrative and confidence problems.

The problems the credit unions are experiencing with loan repayment are the result of many different factors. As pointed out earlier, the credit unions granted large loans with only the signatures of a few members, thus relying on social and moral pressures for the timely repayment. When the credit unions experienced a large influx of new members who were only interested in obtaining a loan and not contributing to the social environment of the credit union, this type of social control begins to lose its effectiveness. Also, on the whole, people do not respect the legal consequences of not repaying a credit union as they do a commercial bank; therefore, the credit union must institute stricter guarantees and make their members aware of the importance of maintaining a good credit record with the institution for the effects of obtaining another loan. The only problem is that if the credit union has very serious liquidity problems, and the possibility of getting another loan is very remote, then there is no reason to repay the old loan unless the credit unions' threat of legal action is believed. It becomes clear then that the lack of liquidity is a very important catalyst for a lot of other problems the credit unions are experiencing.

SAVINGS MOBILIZATION POTENTIAL

The potential for mobilizing savings by the credit unions in Honduras is extremely good, because not only are there no institutional constraints but also they face no competition from the banking sector. Interest rate ceilings on deposits have been lifted by the Central Bank and the credit unions have no reserve requirements nor do they pay any income taxes. The banking sector is greatly burdened by the 30 percent reserve requirement on savings and time deposits and have showed very little interest in mobilizing these types of deposits.¹ In the majority of the towns where the rural credit unions are located there are no other financial institutions that could compete with them even if the reserve requirement were to be reduced.

Some of the institutions I visited have had impressive success in mobilizing their own resource, such as the credit union Sanmarqueña. Table 5 presents some growth rates for a selected few. It is interesting to note that the five credit unions with the largest growth rate all accept savings and time deposits from non-members. Although none of these credit unions made any real progress when the rate of inflation is taken into consideration, it is important to recognize that none of them pay higher deposit rates than the commercial banks, which they could all very easily do.

The important point to remember is that some of these credit unions were forced into aggressive mobilization efforts because they did not change the interest charged on loans, and thus could not borrow from FACACH. The results of these efforts paid off in terms of resources mobilized, but the demand for credit at these low rates of interest swallowed up their liquidity

¹The Central Bank actively utilizes the reserve requirement to control the money creation by the banking sector and one would expect it to be reduced if the rate of inflation slows down.

TABLE 5

WEIGHTED GROWTH OF INTERNAL RESOURCES^a

December, 1979 - December, 1980

<u>Credit Union</u>	<u>Percent Change</u>
Sanmarqueña	24.6
San Andrés	20.7
Chorotega	18.9
San Francisco de la Paz	14.9
Pinalejo	6.3
Campamento	2.7
La Hermandad	-11.3
Corquín	10.8 ^b

^aWeights used - December, 1980. Internal resources are: capital contributions, savings accounts, time deposits, minors savings accounts.

^bJanuary, 1981 to July, 1981.

and thus just postponed some of the more serious problems that will in no doubt appear in the near future, unless they are able to make the change. With an inflation rate at about 24 percent a year, the choices are quickly becoming whether to have funds to loan out at a higher rate of interest or no funds to loan out at twelve percent.

CONCLUSION

The important role that has been played by the credit union movement in the social and economic development of Honduras and other Latin American countries cannot be overstated. Their clientele has largely been marginalized by the mainstream financial institutions and it is clear that this is not going to change in the foreseeable future. Unfortunately, due to the lack of sufficient information on the effects of inflation on the credit union structure and financial intermediaries in general, they have found themselves unprepared to deal with the recent inflationary pressures. They have all gone through a learning process with some credit unions failing more than others, the important point being that all of them recognize the central role played by the interest rates in the stability and long-term viability of their institutions, and most have actively sought to revise them.

The credit unions have always stressed the lending side of their operations to the detriment of actively promoting savings mobilization, and this has led to the severe problems they are presently facing. Just as it is important to provide loans at reasonable rates of interest, it is also important to compensate savers who abstain from consuming all of their income; and in inflationary times this issue becomes all the more important as there is a tendency towards the demonetization of savings.

I have tried to focus upon the distortions that have resulted from the lack of flexibility in the credit union structures, and the required changes needed to restore their balance. Some of these changes are: to increase the rate of interest charged on loans in order to discourage the tremendous speculative demand for credit, thus, eliminating the incentives for the large borrowers from the commercial banks to join the credit unions and effectively crowd out long-term members. The credit unions must raise the rates of interest on savings, time deposits, and capital contributions in order to compensate savers and attract new funds to solve the problem of liquidity. From the experience of the credit union Sanmarquena, it's obvious that interest rate reform on loans must come as a first step. Credit unions who do not now offer time deposits should institute this service. Savings and time deposits must be accepted from the the general public, and adequate reserves maintained to cover them. Finally, immediate withdrawal of the capital contributions must be instituted in order to avoid the serious problems outlined in the text.

The long-term viability of the credit union movement is greatly dependent on these reforms, and on the attainment of self-sufficiency that can come through effective savings mobilization efforts. The credit unions in Honduras have been extremely dependent on external resources and this seriously threatens their existence. The experience recorded in Perú with the successful savings mobilization project (AID-BANCOOP), and the very own experiences of some of the credit unions in Honduras point to an untapped potential.¹ The institutional and economic conditions in Honduras are extremely favorable for the growth of the credit union movement there. As I pointed out earlier,

¹See Robert C. Vogel, "Savings mobilization: The Forgotten Half of Rural Finance", Discussion paper no. 6., Economic Development Institute World Bank, Sept., 1981.

the decline of many of the credit unions is not due to the decline in the price of coffee or to the low income level of their members, but to a distortion of the basic incentives upon which these institutions are based, caused by the rising rate of inflation.

XI

CONCLUSIONS AND RECOMMENDATIONS

(Entire Staff)

with Addendum on The Need for Additional
Agricultural Credit in Honduras -- Claudio Gonzalez-Vega

CONCLUSIONS AND RECOMMENDATIONS

The key recommendations from this report can be summarized within three orders of generality: first, the level and structure of interest rates and appropriate financial sector reforms; second, evaluation of the competing institutional uses of the limited external resources that may be available from AID in the future; and third, the intra-institutional reforms or initiatives that are advisable before or simultaneously with the commitment of funds to given institutions. A final section authored by Claudio Gonzalez-Vega presents the consensus of the team that a shortage of credit does in fact exist for the agricultural sector and measures to increase the supply of credit are called for.

Returning to the issue of financial reforms several points deserve discussion. First the problem in Honduras is largely a distortion in the structure of interest rates and to some extent a problem in the level (of the maximum rate). In contrast to most Latin American countries Honduras has not fallen victim to severe inflation that rapidly generates a severe negative real rate of interest environment with all its pernicious distortion on resource allocation and income distribution. Significant inflation has only appeared in the last several years and, in response to this, interest rate ceilings were raised to some extent. Throughout most of the 1970's Honduras experienced a positive real rate of

interest environment. At present a slight negative real rate may possibly be emerging. Strong inflationary expectations have not been built into the behavior of the most important factors in the economy; however, the recent growth of the public sector's deficit does raise some questions as to how long this relative stability may last and ideally, one would want complete interest rate flexibility (i.e., no maximum interest rate existing at all). As a second best proposition, one would like to see the present ceiling raised. It is highly unlikely that the higher rates of interest would significantly affect the demand for agricultural credit given the growing levels of unsatisfied excess demand that currently exist in the system. This issue is dealt with in greater detail in the succeeding section authored by Claudio Gonzalez-Vega in which the current contraction of credit supply for agriculture is measured and discussed.

Another important issue here are the distortions introduced into the financial sector in general and, into rural financial markets in particular, through the fragmented structure of interest rates. It doesn't make sense that some agricultural loans are made in the 10-14 percent range while others are made from the 15 to 19 percent range when this bears no relation to the true risk or cost of the loan. In fact the current interest rate differentials are a function of the source of funds from international and local sources with international source funds being on lent at the lower rates.

Rediscounting foreign source funds through the central bank in the past has introduced most of these distortions. If retroactive changes could be introduced to remove those lower ceilings for any unspent funds, this could represent a net gain. At the very least, all new funds entering the economy from abroad should be allowed to be on-lent at the maximum rate allowed by the central bank. Only in this way will they find their most efficient uses in the economy and allow the institutions the latitude they need to cover more or all their costs with allowances for risk.

The advisability of raising the low interest rates in this distorted structure rests on various arguments. First inflation has set in since many of these earlier programs were established with interest rates in the 11-14 percent range. Lenders should be allowed to cover their rising operational costs. At the same time many agricultural product prices are keeping up with inflation sufficiently to allow farmers the earnings to cover higher interest charges. Second, interest rates are a small percent of total current production costs of farmers and thus a rise in this charge has only a marginal impact on total costs. Third, subsidized interest rates are not a viable way to get farmers to adopt new technology if the basic rate of return of this new activity (adjusted for risk) does not already justify the investment. Farmers will merely try to divert these funds to more profitable uses. Fourth, subsidized

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interest rates are a poor instrument to compensate agriculture for the penalization of protectionist policies, farm product price controls, poor research and extension systems, deficient marketing channels and other adverse policy actions and weak infrastructure that turn the internal terms of trade against agriculture. This is due to the fact that only a small percent of the farmers have access to formal credit while all farmers suffer from the policies of penalization and deficient infrastructure for farming. There is no good match here. To the extent that these problems exist, what is called for here are changes in the adverse pricing policies penalizing agriculture and/or an improvement in the research and marketing infrastructure servicing farmers, not concessionary interest rates on agricultural credit.

Finally, subsidized interest rates lead to income concentration and worsen the distribution of income and wealth. This is due to several factors. First, only those who have access to this cheap credit can benefit from the subsidy and, as we have already argued, only a small percent of the total number of farmers in Honduras have access to formal credit. Second, within the total agricultural credit portfolio those with larger loans benefit more from this subsidy than those with smaller loans. Given the unusually high concentration of the total value of credit in the portfolios of both BANADESA and the private banks into larger loan sizes (above 100,000 lempiras) larger borrowers are

benefiting much more from this subsidy than smaller borrowers.

Finally the longer a negative real rate of interest milieu prevails, development banks and private banks begin to ration out the more costly, more risky, smaller and newer borrowers to save on their costs and reduce their risks in the face of interest rate ceilings and rising inflation. The problem in Honduras now is the shortage of liquidity in the agricultural sector. There should not be any appreciable drop in the demand for this scarce credit if it is realistically priced. Moreover there would very likely be an improvement in the access of riskier, newer and costlier clients in the portfolio since the higher interest rates would allow banks to cover the costs and risks of servicing these customers. They will be less likely to ration them out of their portfolio with artificially high transactions costs as they currently do in a more controlled and less liberal financial climate.

Empirical evidence confirming this implicit rationing behavior was presented in Chapter VI where we analyzed borrowing costs to borrowers of different farm and loan sizes from different lenders. These are costs borne by borrowers (above and beyond interest rate charges) to secure loans from lenders. In a very real sense they represent the way lenders can and do pass on transactions costs to borrowers when they are prevented by controls from charging higher interest rates to cover rising costs and risks.

Summarizing the results on borrowing costs from Chapter VI it is clear that transaction costs per loan are positively related to loan size; positively related to farm size; and differ sharply between sources of credit. At the same time transaction costs per lempira are negatively related to loan size; negatively related to farm size; and vary considerably between lending institutions and between different loan source-loan size combinations. Lending institutions tend to substitute implicit charges (that translate into transaction costs) for explicit interest, due to the limited discretionary power they have to raise interest rates.

Correlation and regression analyses were used to assess the statistical significance of some of the foregoing results. Transaction costs per loan were found positively correlated with farm size and amount of the loan, and negatively correlated with the interest rate charged on the loan. Transaction costs per lempira are consistently negatively correlated with farm size, loan size and interest rates.

It is also shown that the main determinants of the level of transaction costs are the loan size and the interest rate. The observed differences between lending sources are indeed reflecting the differences between the size distribution of their loan portfolios and the range of interest rates they can control. On average, all institutions follow similar lending policies, imposing higher requirements and more

complicated procedures whenever they deal with larger-sized loans and/or are constrained to charge a lower explicit interest rate.

These results also strongly suggest that cumbersome end use and crop type regulations for agricultural loans should be largely eliminated. This adds greatly to the top heavy administrative staff required in these institutions to devise complicated farm plans and monitor their implementation. They add greatly to the lending costs and reduce the viability of effective financial intermediation. These issues have been discussed at length in the report and need no further elaboration here except to underline the fact that international agencies are the primary cause of these end use regulations, hence they are presumably in a position to do something to eliminate them and, in the process, reduce a burdensome source of rising lending costs.

Finally high reserve requirements on time and savings deposits are counter productive to effective domestic savings mobilization. High reserve requirements may be necessary on demand deposits for purposes of an anti-inflationary monetary policy, but comparably high reserve requirements for time and savings deposits are unnecessary and a disincentive for savings activity. Most developed and lesser developed countries, in contrast to Honduras, have substantially lower reserve requirements for savings balances than for demand deposits. Although there is no maximum ceiling on interest rates on savings deposits there is no

incentive for banks to raise these rates to mobilize savings when they have to sterilize a high percent of these deposits as a reserve requirement and then cannot on-lend beyond 19 percent. A lower reserve requirement than the current 30 percent is clearly needed.

In the event that a lowering of reserve requirements on savings and time deposits is not possible, an alternative would be to at least pay interest on the reserves, and moreover, pay a realistic rate of interest so that this reserve requirement does not act as a disincentive to savings mobilization efforts.

It is important to remember that proper savings incentives, in addition to relieving the constraint on the supply of funds for onlending, also improve the distribution of income. Many more low income people participate in formal financial markets as savers than as borrowers. Therefore any improvement in the rate of return to savings activity will have the beneficial impact of rewarding a large number of people with small to medium sized savings accounts. Moreover the longer these incentives remain in force, the more likely that more savings will be drawn out of illiquid forms (such as inventory of animals, land and other physical assets) or out of reduced consumption to add to the savings base. More options become available for small farmers in the form in which they can now hold their savings. Financial assets earning an attractive return would now be available

along with the more traditional forms of on-farm inventory holdings and other physical assets which frequently involve risk (sick and diseased animals or theft) or a low rate of return.

Subsidized credit, on the other hand, goes to a relatively smaller number of producers in any agrarian setting (certainly much smaller than those that engage in formal savings activity) and, at the same time, is always associated with a penalty on the much more numerous and lower income savers in that deposit rates are held down in order to allow low loan rates for a privileged few. It makes much more sense to allow greater liberalization of the financial sector (i.e. uncontrolled interest rates) which force borrowers to pay a realistic rate of interest on the money they borrow. This induces a more efficient use of these funds in higher rate of return activities (i.e. a more efficient allocation of resources); allows lenders to cover their lending costs and, in the case of public sector banks, depend less on government subsidies (and interference) which invariably come from a regressive tax structure; and allows rewards for many more low income people as savers with higher deposit rates. If the subsidization of agricultural activity is called for, there are far more efficient and equitable instruments to accomplish this than subsidized credit (e.g. better financed research and extension activities, more infrastructure reducing the costs and risks of marketing, etc.).

Moving now to the second order of generality, if one is to inject more financial resources into the agricultural sector, there are four ways to do this. Channel the resources through the commercial banks, the development bank (BANADESA), the rural credit union network or directly to the final users such as large reform groups. Each has various comparative advantages to gain given objectives.

Channeling more resources to agriculture through the commercial bank network represents an interesting opportunity that should be investigated thoroughly. Banco Atlantida, Occidente and Sogerin have extensive branches in key agricultural areas and are already allocating from 20 to 35 percent of their portfolios to agriculture. In the aggregate they are currently a far more important source of agricultural lending than the development bank.

Any new initiatives here should avoid the end-use, crop-type requirements of the past as well as any interest rate ceilings. By the same token it is strongly advised that AID, in considering this opportunity, make every effort to insure that any intermediary role played by the central bank minimizes transactions costs to the final lender. Intermediary functions could add another layer of bureaucracy that adds to transactions and lending costs and, if not carefully handled, could lead to various regulations and reporting requirements that are counterproductive. The banks are prepared and able to deal directly as a consortium with AID in this effort. They should be consulted concerning

the most serviceable and least costly intermediary form to use to channel external lending sources into their consortium for on-lending to agriculture.

While some may argue that these banks don't reach the small farmer directly, it can be argued, and this is strongly felt by various members of the team from field experience, that they can and do reach these farmers indirectly. This is accomplished through their loans to agricultural input suppliers, intermediaries, marketers and processors of small farmer produce and large to medium sized farmers many of whom do on-lend to small farmers through informal channels and hire significant numbers of part time and permanent laborers in their activities. Increased loan activity through the agricultural portfolio of aggressive agricultural lenders like Atlantida can make a difference in increasing output, liquidity, employment and transactions in the rural setting to a much wider range of end users than their first tier of borrowers might suggest. Finally, and most importantly, this private sector initiative carries with it the prospects of much less delinquency and default than alternative approaches. To evaluate this effort, it is recommended that a team of consultants be drawn in to measure and establish an on-going evaluation of the net impact of this program during the first year or two after its inception.

The possibility of also using the agricultural development bank is also legitimate, particularly in servicing the

politically important initiative of financing selected agrarian reform groups. Again care should be taken not to lay on all sorts of crop-use requirements (esp. basic grains) if these are not appropriate under the circumstances. The bank and the groups financed should make these decisions, not the international donor or the central bank who are too far removed from the scene. It would also appear that technical assistance and extension help are more important than credit as a constraint for increased output for many reform groups (see Chapter VIII).

With respect to the credit unions in rural areas, time and savings deposits have been relatively neglected as a source of funds for credit unions. The amounts are quite small, the interest rates paid are relatively low, and promotional campaigns oriented toward attracting such savings have not been used. However, when the effective interest rates currently charged on loans are analyzed, there appears to be an opportunity to change policies and to mobilize time and savings deposits aggressively. A stated 18 percent interest rate on loans (the highest level currently charged in several rural credit unions) becomes an effective rate of 36 percent when members can borrow only twice their capital contribution (on which 6 percent is paid) and are required to make an additional capital contribution of 10 percent of the loan. Charging 36 percent interest in a more direct fashion by raising the ratio of

loan amounts to capital contributions and raising the stated interest rate accordingly would permit credit unions to pay significantly higher interest rates on time and savings deposits and perhaps on capital contributions as well. Such policies, together with aggressive savings mobilization campaigns, would be a much more effective way for credit unions to resolve their lack of liquidity and meet the credit demands of their members than are the current policies of restricting loans (see Chapter X).

FACACH appears to be a reasonably successful credit union federation, especially when compared with the experience in many other Latin American countries. It could be a useful institution for channeling additional resources to the agricultural sector and especially to the small farmers who are not served by BANADESA or the private commercial banks. There are, however, two important caveats: (1) cheap external resources can undermine the interest of credit unions in mobilizing their own resources and hence destroy their viability in the long run; and (2) technical assistance and extensive supervision of agricultural activities can easily become too costly for both borrowers and lenders.

It would be premature at this point to make specific suggestions for new projects involving credit unions. It is the impression from the preliminary field work that credit unions in Honduras are uniquely well situated to provide savings and credit services to the rural poor.

In addition, AID has just initiated a project with FACACH to work with credit unions, so that it would be better to try to make some appropriate adjustments in this project rather than overload FACACH and the credit unions with a parallel project. It is also important to know more about the receptiveness of FACACH and the credit unions to a new project which would place heavy emphasis on higher interest rates. In carrying out the preliminary field work it was not possible to ask such specific and sensitive questions about implementation without biasing the results of the survey to find out as much as possible about the existing situation.

In short, credit unions can probably play a very important role in improving rural financial services, but a specific project cannot be developed without knowing more from additional field surveys of the institutions and also more about the willingness of the credit unions and FACACH to adopt some new policies and approaches towards increasing their liquidity, which may not appear entirely attractive at first glance.

In summary it is probably best that AID diversify its portfolio and channel its external funds into several institutional initiatives (i.e., the private bank initiative, development bank support of selected reform groups and careful support of the changes needed in the interest rate policies in rural credit unions).

Finally in terms of intra-institutional reforms, clearly effort must be undertaken within BANADESA to lower its lending costs, reduce its past and recent delinquency and restructure its information system for better decision making. These issues were discussed at length in the chapter dealing with BANADESA (Chapter V) and need not be repeated here. Efforts in this area should be undertaken as a condition of further financial support. Similarly, as mentioned earlier, the possibilities for changes in interest rate policies in the credit unions should be studied before selective support and technical assistance can have any meaningful impact.

Reform in the central bank policies of end use and related requirements should also be considered to help lower the heavy administrative lending costs in BANADESA and the private banks that have to absorb these costs.

If a concerted effort is undertaken to promote changes in the three broad areas of generality discussed here, the functioning of rural financial markets in Honduras could be significantly improved. A more liberalized financial environment with a less burdensome set of interest rate and other controls will bring many social benefits to Honduras. In addition to strengthening the process of financial intermediation, increasing the prospects for institutional viability for lenders, reducing the inequitable rationing of credit, mobilizing larger amounts of domestic savings,

a more liberal financial environment will lead to a more efficient allocation of resources and a net improvement in income distribution. This is particularly true as compared to the pattern of resource use and income distribution characteristic of a less liberal and more controlled credit and pricing milieu shot thorough with arbitrary and inequitable non-price rationing behavior by lenders, growing subsidies derived from regressive tax incidence to bail out delinquent or insolvent institutions and constant penalization of a large number of lower income savers to service a smaller number of subsidized borrowers. If, at the same time, AID diversifies its lending portfolio so as to allow several institutional initiatives in this scenario undergoing change and reform, it can make a valuable contribution to this effort. The final section of this set of conclusions presents the evidence that there is indeed a serious credit shortage in the agricultural sector.

THE NEED FOR ADDITIONAL
AGRICULTURAL CREDIT IN HONDURAS

Claudio Gonzalez-Vega

This concluding statement here addresses the issue of whether a shortage of agricultural credit exists in the Honduran setting. The question becomes important as a complement to the institutional and financial reforms recommended in the previous section. Conceivably one could undertake the above reforms alone and not be concerned with a net injection of funds from abroad. We feel that in the current economic situation the financial reforms defended above may be a necessary but perhaps not both a necessary and a sufficient condition for success in resolving the problem of agricultural credit supply in Honduras. We feel that both initiatives are necessary: financial and institutional reforms on the one hand and an injection of resources on the other hand.

There has been a significant contraction, during the most recent years, in the general availability of domestic bank credit in Honduras (see Chapter II). In turn, this reduction in credit flows has adversely affected the agricultural sector more severely than the non-agricultural sector (see Chapter III). In addition, there has also been a significant reduction in the access of Honduran agricultural producers to foreign lines of credit. The resulting lack of liquidity and more limited

access to resources external to firms appear to be constraining the levels of economic activity in this sector, while also contributing to the negative rate of growth, in real terms, observed for agriculture during 1980. An infusion of resources will be needed, therefore, merely to maintain the levels of financing previously attained for the sector.

There are several ways in which this contraction of the volumes of credit available can be measured. All of them lead to the same conclusion: the Honduran agricultural sector is suffering from a severe credit crunch. Some of these measures are examined below:

In the first place, it is important to observe that, even the nominal values, at current prices, of the annual flows of new agricultural loans granted by the Honduran banking system, has declined. The following table shows the nominal value of the flows of new agricultural loans granted each year by the banking system, as a whole, as well as by the private commercial banks and the public development banks. (The difference, not shown, corresponds to the specialized savings institutions).

New agricultural loans granted during the year, in '000,000 of current Lempiras.

	<u>Banking System</u>	<u>Commercial banks</u>	<u>Development banks</u>
1975	156.4	97.9	57.0
1976	251.1	193.0	54.6
1977	376.1	270.1	105.9
1978	333.6	242.5	90.1
1979	376.7	263.1	113.5
1980	278.6	190.6	88.0

The nominal level of the flow of agricultural credit during 1980 was comparable only to the level already reached during 1976. It is important to observe, also, that both the flows of credit from the commercial banks and from the development banks declined, in nominal terms.

It has been claimed that much of this reduction is explained by the diminishing demand for credit for coffee, as prices for this commodity have declined since the "boom" years of 1976 and 1977. In order to take care of this question, the following table presents the nominal values of the flows of new credit granted to agriculture by the banking system, excluding coffee:

New agricultural loans granted during the year, excluding coffee, in '000,000 of current Lempiras.

	<u>Banking system</u>	<u>Commercial banks</u>	<u>Development banks</u>
1975	121.9	70.5	50.1
1976	123.2	83.6	40.0
1977	160.0	104.4	55.7
1978	162.3	116.8	44.4
1979	229.3	169.9	60.0
1980	195.4	136.3	59.2

As the previous table shows, there has been a significant contraction of credit flows in 1980, even in nominal terms, and even if coffee is excluded from the picture. Money, of course, is fungible, and the amounts of credit granted for

coffee are just a portion of the generalized purchasing power available to the sector. There is no reason, therefore, to exclude it.

Credit, in general, is more scarce now in the Honduran economy. Agricultural credit, proportionately less abundant. That is, while the agricultural sector received 30.1 percent of the flow of new loans of the banking system, during 1977, it only received 20.7 percent of the 1980 flow. Agricultural credit has contracted more rapidly than total credit.

Since inflation has been relatively high during the second half of the 1970's, the real value of this flow of agricultural credit has declined even faster than the nominal value. That is, in terms of real purchasing power, the agricultural sector has command over less resources, through access to bank credit, than before. The following table presents these figures:

New agricultural loans granted during the year, in '000,000 of constant Lempiras of 1966.

	<u>Banking system</u>	<u>Commercial Banks</u>	<u>Development banks</u>
1970	106.6	74.6	27.6
1971	109.6	79.5	27.1
1972	126.0	88.4	36.2
1973	126.4	77.5	36.6
1974	104.7	68.8	35.0
1975	106.1	66.4	38.7
1976	162.4	124.7	35.3
1977	224.0	160.9	63.1
1978	187.9	136.6	50.7
1979	195.1	136.3	58.8
1980	121.4	83.1	38.4

In real terms, the annual flow of new agricultural loans declined by 16.1 percent, during 1978, and by 37.7 percent, during 1980, for the whole banking system. In the case of the commercial banks, it declined by 15.1 percent, during 1978, and by 39.0 percent, during 1980. In the case of the development banks, it declined by 19.6 percent, during 1978, and by 34.7 percent, during 1980.

These reductions in the real value of agricultural credit are very substantial. For the banking system as a whole, the 1980 level of 121.4 million of constant 1966 Lempiras, had already been surpassed in 1972. That is, at the end of the decade, the banking system was granting, in real terms, as much as it was already granting at the beginning of the decade. During the decade, however, population was rapidly growing, so that in per capita terms, there was a significant reduction in the availability of real credit. During the decade, also, agricultural production was increasing, so that the same level of real credit financed a smaller proportion of an increasing real output.

If, starting from the 1970 level of 106.6 millions of constant Lempiras, the real flows of agricultural loans would have grown at an average annual rate of five percent, the 1980 level should have been 173.7 millions of constant Lempiras, and not the actual level of 121.4 million. That

is, in constant Lempira terms, the gap is 52.3 millions of constant Lempiras. This is equivalent, in nominal terms, to 120.0 millions of current Lempiras. That is, to have kept a real annual average rate of growth of five percent, the flow of credit should have been, in 1980, 120.0 million Lempiras more than it was.

In comparison with the real level reached during 1977, on the other hand, the 1980 level represented only 54.2 percent. In order to merely maintain the real value of the flow of agricultural credit granted during 1977, the banking system would have required 235.4 million of Lempiras, in addition to the amounts actually granted. This is, of course, the recent experience of Honduran farmers. During the coffee boom they became used to levels of investment, consumption, imports, etc. that cannot be maintained now. They are experiencing a severe reduction in their command over resources that justifies additional infusions, merely to make this impoverishment less rapid.

Finally, there is no reason to suppose that the 1970 situation was an ideal level of financial intermediation for the agricultural sector. If, in real terms, the flow of credit is as high as it was in the early 1970's, this may only mean that it is in as bad a position as it was then and that no progress has been made, with respect to those years. Actually, much progress had been made between 1975 and 1978, but it has been lost during the most recent years.

It may be argued that the lower volumes, in real terms, of agricultural credit, are simply a reflection of a lack of demand for credit, because there are no productive opportunities in the sector. This is not the case, however. There are numerous indicators and signs of unsatisfied excess demand for credit in the Honduran agricultural sector. Both private banks and BANADESA claim that they have queues of unsatisfied clients that cannot be served because of lack of funds. These potential borrowers would be willing to borrow even at higher rates of interest.

If the reduced volumes of credit were a result of a lack of demand, rather than lack of supply, the amounts of agricultural credit would decline pari passu with the levels of agricultural output and the ratios of credit to output would remain constant. They have declined significantly, however, suggesting that the reduction in the supply of credit has taken place much more rapidly than a potential contraction of the demand. The following table presents the ratios of the flows of new loans for the agricultural sector to the flows of the gross value of output of the sector, as well as to the flows of value added in the sector (its contribution to GDP):

RATIOS OF AGRICULTURAL CREDIT TO AGRICULTURAL OUTPUT

	<u>New loans to gross value</u>	<u>New loans to value added</u>
1970	27.3	20.6
1975	27.4	19.5
1976	36.9	25.0
1977	43.4	31.4
1978	33.3	23.6
1979	27.8	24.0
1980	20.1	15.2

The previous table shows the extent to which the ratio of the flow of new agricultural loans, to the gross value of agricultural output, declined, from 43.4 percent, in 1977, to 20.1 percent, in 1980. This is a severe and dramatic reduction: these ratios usually change by a few percentage points in a decade. Actually, the 1980 level of the ratio was the lowest during the 1970's, lower than the 27.3 percent observed in 1970.

The same extent of reduction is observed with respect to the ratio of new loans to value added in the agricultural sector. This ratio declined from 31.4 percent, for 1977, to 15.2 percent, in 1980. At the same time, the ratio of total credit to Gross Domestic Product declined from 40.4 percent, in 1977, to 26.3 percent, in 1980. There has been, therefore, a substantial reduction in the level of financial intermediation in Honduras. The reduction, however, has been more drastically

felt in the agricultural sector. This is just another manifestation of the iron law of interest rate restrictions. When credit volumes are contracted in an environment with distorted interest rates, the more costly and riskier activities, like agriculture, suffer more than proportionately. There is more than enough justification, therefore, to support the Honduran agricultural sector with additional credit flows. This policy initiative should be looked upon as a complementary action to be taken in conjunction with the financial and institutional reforms discussed in the previous section. These two actions together should constitute both a necessary and a sufficient condition to improve the functioning of rural financial markets in Honduras.